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WAS there ever a more humiliating confession than Secretary Lansing had to make before the Senate Committee on Foreign Affairs on Monday? He finally admitted what has been suspected for a long time past, that the United States was plunged into the war by Woodrow Wilson without having any clear idea of what was going on behind the scenes in Europe. Mr. Lansing confesses that he did not know until February, 1919, of the secret treaties between Japan and the Allies as to the Pacific Islands and Shantung. This revelation is the more overwhelming because Mr. Arthur Balfour stated publicly in the House of Commons that President Wilson had been kept *fully informed* by the Allies as to what was going on. He stands branded, therefore, as a falsifier, and the Allies as having dealt in an underhand way with the United States. We believe, moreover, that time will show that this is only part of the deliberate deception which went on for the purposes of bringing America into the war—a deception aided by the control of the cables and the mails. We believe that it will also appear that Mr. Wilson was not adequately informed of the Austrian and German approaches to peace in midwinter of 1916-17, and that if he had been, it would have been easy then to bring the belligerents together on terms satisfactory to both sides. We may be wrong in this supposition, though we think not; but we submit that in view of the confessions of Secretary Lansing nothing is impossible. As Mr. Lincoln Colcord set forth in our columns, on May 17, the United States Government went into this war blindfolded and the people of the United States were in utter ignorance as to the real situation, except that they knew the full truth about the German brutalities and wickedness in waging war and German responsibility for precipitating the whole catastrophe.

MR. WILSON has not added much to the clarification of the Shantung situation, nor does Count Uchida's promise. The President hastened to make it plain that in the view of the Big Four there is no connection between the question of the return of Shantung and the execution of the agreement of 1915 between China and Japan. But no explanations can remove the wrong of turning over land of a friendly and allied nation to another even for a day, and of permitting Japan to succeed to rights which were obtained by Germany from her by force and duress. Mr. Lansing has only added to the mystery of this surrender by his positive statement to the Senate Foreign Affairs Committee that "the League of Nations would not have been endangered even if Shantung had not been yielded." Then what becomes of the defenders of Mr. Wilson, who picture him as yielding to Japan only because he had to in order to save his precious League? With this excuse for the robbery of China removed, what possible reason can there be for Mr. Wilson's surrender to the Japanese? Again, the matter needs still further clarification. Viscount Kato, the leader of the Opposition in the Japanese Diet, insists that Japan shall not return Kiaochow. But if she does, what does she propose to give up? Merely the harbor? Or will she relinquish the Shantung railroad and the concessions of land and mining rights for 30 miles on each side? Whoever owns that railroad and the concessions and operates them controls Shantung as much as if the province were ceded outright. And how about the special Japanese settlement on the harbor?

THERE is one strong resemblance between the position of Lloyd George and that of Woodrow Wilson. Whenever a by-election takes place they meet with defeat. Last week in the Eighth Kentucky Congressional District, King Swope, a returned soldier, running on the Republican ticket, was elected over Judge C. A. Hardin, Democrat, by more than one thousand majority. Now the significant thing about this is that this is the first time the district has ever been carried by a Republican. Moreover, Judge Hardin made his campaign upon a platform supporting President Wilson and the League of Nations. If the press reports are

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to be trusted, it was a "stand-by-the-President" fight, and yet the opponent won in easy fashion where no member of his party had ever won before. It may be that the popularity of the returned soldier had something to do with it, but on its face, it is another sign of the President's lost ground, and of the fact that the League of Nations, so far as these recent Congressional elections are concerned, does not seem a winning issue. Perhaps when the President begins his now long-delayed trip, it will prove to be different, but there seems to be a general apathy, well illustrated by the dispatch of Mr. Louis Seibold in *The New York World* to the effect that out of some twenty-five citizens of Indianapolis with whom he had talked in one day, only one had read the covenant of the League of Nations.

THAT the National Guard Association has come out flatly against the Chamberlain-Kahn universal military service bill is altogether gratifying, even though their motive is a somewhat selfish one. They have had their own privileges and their own machine in the past, and they do not wish to lose the perquisites, such as they are, that they have picked up since the National Guard got into such close relations with the Federal Government. On the other hand, they indubitably made, on the whole, a satisfactory showing in the war, though not always an even one, for they were frequently badly led. But whatever their record or their present desires, they are on firm ground in opposing universal service of a compulsory character, for no more un-American proposal was ever made than that we should adopt the very system which brought about the downfall of all Germany. During the past week the Adjutant-General of the army has been testifying in favor of the War Department's bill to put 1,500,000 Americans under arms every summer—nearly twice as many as the Germans had in their standing army at the outbreak of the war; and yet we are told that the League of Nations is going to make war impossible and that a new order of society is at hand! Fortunately, there is every prospect that Congress is not going to be stampeded into any compulsory military service measure. Even the newspapers favoring the proposal report that there will be a long and bitter fight. If the returned soldiers could vote upon it, its fate would be immediately sealed. We even hear that some veterans of Congressman Kahn's district propose to defeat him for reëlection, because of his generally militaristic attitude.

WE trust that liberals everywhere will keep up the demand for a general amnesty for military, and especially for political prisoners. As one of our correspondents points out, it is, or ought to be, a humiliation to every American that there should be such a thing as a political prisoner in America. We should have laughed to scorn ten years ago anybody who dared to prophesy that this could come to pass in the land of the free and the home of the brave. But there the fact is. More than that, in direct violation of the Constitution, they are only just now beginning in Kansas to try men who have been held in filthy county jails for nearly two years, without having their day in court—something which we used to pride ourselves could take place only under the Czar or the Kaiser. With Senator Chamberlain, arch-militarist, demanding the release of all military prisoners not guilty of felony, there should be a similar proposal for the release of all civilian political prisoners, notably Eugene Debs, and many another who ought not for a moment to be in jail. England and Canada have now released all their conscientious objectors, but we do not follow suit. Some are in damp, below-water-mark cells on Alcatraz Island; one died in Leavenworth Prison last week. What is wrong with Mr. Wilson that he appears so devoid of the magnanimity which should be inseparable from the just and the truly great man?

THE imprisonment for ten days of Mr. E. T. Leech in Memphis, Tenn., because as editor of *The Memphis Press* he wrote an editorial criticizing our American courts,—in which he mentioned no specific court, no pending case, and no names—for the purpose of influencing an election and in no wise to interfere with the administration of justice, seems to have created a considerable sensation. In Memphis he was escorted to jail by a brass band and a large throng of protesting citizens; in New York and other large cities the press has for once waked up and is complaining loudly at this violation of the constitutional right of a free press. We welcome these manifestations of uneasiness, but they are a trifle late. Too many editors have been silenced or convicted during the last two years without protest from our editors as a whole to make it possible for them to criticize effectively at this time. At the same time we agree with the Newspaper Enterprise Association that if this sort of judicial tyranny continues, it will lead to dire results, for it will beyond question strengthen the violent revolutionary movement in this country. It is not only the courts, however, that are guilty. Mr. Burleson is still depriving Victor Berger's *Milwaukee Leader* and *The New York Call* of their second-class mailing privileges without a shadow of justification, to their serious financial loss. There never was any justice in this, and there is still less now that the war is over, but our judges and bureaucrats seem bent on adding to the popular unrest just as rapidly and effectively as they can.

MR. LLOYD GEORGE has explained that the trial of the Kaiser is undertaken not out of a desire for personal revenge, but in order to serve notice on the world that the making of war is unprofitable. Everybody will agree in principle that we should take the profit out of warring, and therefore many will be surprised to learn that this same Lloyd George has decided to bestow $500,000 each upon Field-Marshal Haig and Admiral Beatty and $250,000 each upon Viscount French and Admiral Jellicoe, while other commanding officers are to share in the sum of $3,000,000. In addition there are high titles to be distributed. This is hardly taking the profit out of war. It is, however, quite in line with England's historic policy in these matters, and it must, therefore, lurk in the minds of her military and naval men when the question of a war comes up. No one will question, of course, that the recipients of these bounties have deserved well of their country; but to Americans, it seems a somewhat curious procedure, this bestowal of outright money grants and the making of a money profit out of the terrible business of war.

THE appointment of a fire-eating committee of the United States Senate to investigate conditions in Mexico, to assess damages, and to demand immediate payment for all injuries inflicted upon American citizens is an event of evil omen. With Senator Fall as chairman there is about as much chance of giving Mexico a square deal as

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there is of giving the Kaiser a just trial in London. Both are condemned in advance of the hearing. Senator Fall made up his mind on Mexico long ago, and his attacks upon it have been part of his regular political stock-in-trade. Fortunately, there continue to be encouraging signs that the lynching of Mexico is not to be accomplished without some protest from men and women and organizations that still have consciences. Thus, the Board of Foreign Missions of the Presbyterian Church has made public a long report in which it repeats *The Nation's* charges that the oil interests are manufacturing propaganda to embroil the United States in war and points out that the whole great missionary programme of the Presbyterians in Mexico is endangered by this continuous talk of intervention. *The Vindicator*, a Youngstown, Ohio, daily, has come out with an earnest appeal to the returned soldiers not to permit the country to be dragged into an unholy war merely in order to take the mines and the oil wells of Mexico.

ALAS, poor Hungary! The country seems destined to go from bad to worse: first, the administration of Karolyi, full of promise, and deliberately wrecked by the Allies; then Bela Kun and communism; and now a reaction to the monarchy under the dictatorship of Archduke Josef, with the Rumanians in control of Budapest, the whole complicated by the sudden outcropping of a most ominous anti-Jewish feeling. The challenge of this situation to the Peace Conference is most serious. The Rumanians appear to have flatly defied the Conference, and on the other hand the statement is made that it has connived at the coming in of the Archduke. It would be a misfortune, indeed, if the movement towards liberalism and republicanism in Europe should wind up with a monarchist reaction anywhere, and if it is sanctioned by the Allies, we shall again know what to think of their pretensions. No wonder that *The Manchester Guardian* declares that the Peace Conference "long ago lost the respect of Europe. It allowed its authority to be flouted. . . . It neither opposed nor obeyed any consistent principle of public policy." Certainly in Hungary, the Conference is responsible for the restoration of the very régime we were told that the world was fighting to destroy. *The Guardian* adds that there can be no question that the English political leaders would prefer the return of the Hohenzollern to a government of Independent Socialists in Germany. But the case of Hungary is both pathetic and tragic. She has tried to live up to the armistice, but the Allies, one after the other, violated it. She is being starved to death. Yet she was the least guilty of the Central Powers.

ANDREW CARNEGIE will long remain one of the most interesting figures produced by our modern industrial life. Able, canny, industrious, he was literally a field-marshal of an industry that flourished and waxed overrich under a high tariff long, long after it was entitled to a cent of government pap. As was inevitable in such a partnership of privilege, there came times when one could hardly distinguish which was the Republican party and which the iron and steel industry. There was a community of interest and a joint ownership that put one into control of the Government for decades and in the other made possible more than one huge fortune. Mr. Carnegie indubitably used his wealth well—even though his giving was often narrow and not unaffected by a certain self-consciousness—notably in his efforts to provide pensions for professors, to increase our library facilities, and to serve the cause of peace. That the idea of his Palace of Peace was never so out of joint with the times as now is one of the profoundest tragedies of the age. Yet it was a glorious conception and one in which his family may always take the greatest pride, whatever lies before. Kindly, simple, and human, Mr. Carnegie always remained proud of his humble start in life. But the future order of society will not permit the duplication either of his career or Mr. Rockefeller's.

THE most distinguished exponent of Darwinism died at Jena on August 9. Ernst Heinrich Haeckel, who held the chair of zoölogy at the University of Jena for more than forty years, combined the naturalist's trained powers of observation and deduction with a strong turn for speculative philosophy. His theory of the universe did away with teleology, rejected a cosmic moral order, and affirmed the essential unity of the organic and the inorganic. The special morphological doctrine which he formulated was that of the recapitulation of race-experience in the individual organism. His principal contribution to the literature of natural science was his "General Morphology," and to the literature of philosophy, his "World-Problems" and "Monism, the Religious Confessions of a Naturalist." He was a diligent traveler, produced a volume of travel-sketches, and, like Huxley, made his early investigations upon the lower orders of deep-sea life. His most popular book, and the one by which he is best known in the United States, was the "Riddle of the Universe." He was nearly eighty-six years old, having been born at Potsdam in 1834. His death removes the last of a great group of nineteenth-century men of science, a group made illustrious by the high development of constructive scientific imagination, coördinated with sound technical training. Science now has more diligent investigators than ever, more trained reporters, but its men of constructive imagination, men of the type of Haeckel, Huxley, Lyell, Tyndall, and Darwin, are very few.

ON the same day, death made a notable inroad into another field of genius in laying its hand upon Ruggiero Leoncavallo, who took rank with Puccini and Mascagni as a modern composer of Italian opera. Leoncavallo was a Neapolitan, born in 1856, and spent a good part of his life in hardship and poverty. His output was scanty, and like his two contemporaries, the portion of his output which seems likely to stand the test of time is more scanty still. He may perhaps be quite fairly rated as a "one opera" composer, his "Pagliacci" being at least well up among the greatest of Italian melodramatic productions. But his other operas, "Zaza," "Cesare Borgia," "I Medici," and "La Bohème," are not popular in Europe, and, save for the last, are quite unknown here. It must be remembered, however, that production in art as in literature is as much or more an affair of the moment as of the man. In a time of great general spiritual activity, when one is moving with the wind and tide, even moderate talent shows fecundity, and first-rate talent brings forth a large output of uniform and standard excellence. One often wonders what Bach and Glück would have produced under the chill and constant spiritual east wind that has been blowing across the modern world for more than half a century. On the other hand, one is not disposed to disparage a talent like Leoncavallo's for leaving us so little, for producing so irregularly and fitfully, but is thankful that it was able to produce at all.

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The Plumb Plan to the Front

OF the innumerable suggestions made for the solution of the railroad problem there is to our mind none that compares with that submitted by the Railroad Brotherhoods for originality, for thoroughness, and for constructive quality. Peruse any of the other plans—we have outlined several in this issue of *The Nation*—and they appear at once for what they are, the merest compromises, a last effort to stave off the day of popular ownership. Yet they each take us a step nearer to that, for they intensify regulation, increase government control, ask for financial aid from the Government, and, usually, call for a grouping of the railroads regionally, so as to eliminate competition, under a system similar to the Federal Banking organization. Even so they leave the question of current finance as dubious as ever. That the railroads were breaking down on the financial side long before the war was clearly foreseen by James J. Hill, whose forecasts as to railroad affairs were usually remarkably justified by the event. He saw that they needed billions, but he did not see where those billions were to come from. As for government control and regulation, where is the railroad president who has not said repeatedly that it was becoming impossible to manage the railroads under a system of Federal control plus the interference of forty-eight separate States? The rate-making power had been lost, of course, and so had the control of wages; the roads were being ground between the Government on the one hand and the demands of the employees on the other; and the latter turned not to their employers when it came to wage questions, but to the President or Congress. There has been only one point upon which everybody interested in the railroad problem could agree and that was that any return to the old order was impossible.

So *The Nation* has decided for government management? Not at all. Its dislike of government *operation* has only been intensified by our war-time experiences with Federal operation of railroads, telephones, and telegraphs. Every day it finds the supplying of its readers with copies of its issues gravely hindered by the almost unbelievable inefficiency of the Post Office—it now takes three days for printed matter to reach Newark and Philadelphia from New York city. But the point is that the Plumb plan does *not* call for government *operation*. Unfortunately for the Brotherhoods, most of our brilliant newspaper commentators upon the proposal have jumped to the conclusion that it means both ownership and operation, which is exactly what it does not. It is a proposal of the workers to lease the railroads from the Government, if the Government will buy them at a fair price from their present owners on such terms as will result in a division of profits by the workers and Government under conditions to offer every stimulus to the workers to develop efficiency of service and at the same time safeguard the interests of the public. It is expressly provided that the lease is terminable for cause by Congress. But, of course, the startling thing about it all is that it is a proposal to let the workers in an industry manage it and to obtain one-half the profits within limitations. As such, the proposal was bound to be considered revolutionary; as such it was bound to call forth from organs of public opinion like *The New York Times* the suggestion that the proposal smacks of Lenin and Trotzky.

Yet everybody has been saying that we must have a more democratic organization of industry, that even profit-sharing will no longer satisfy the demand for its reorganization. Mr. Wilson, in his Message to Congress of May 20, declared:

> The object of all reform in this essential matter must be the genuine democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate *in some organic way in every decision* which directly affects their welfare or the part they are to play in industry. Some positive legislation is practicable.

Why then, should anyone be surprised that the Brotherhoods have come forward with their proposal? Can anyone deny that control of the railroads has centred in Wall Street in the hands of a few groups of bankers? Already the opponents of the proposal assert that the railroads are not owned in Wall Street, but by the 12,000,000 stockholders. What more democratic organization than that could there be, they ask. Now, they know perfectly well that these stockholders have never actually controlled railroad managements. Presidents have been chosen not by the stockholders, but by the bankers. Did not the elder Mr. Morgan select for the presidency of the New Haven one Charles S. Mellen and thereby wreck one of the finest properties in America? No one who has studied the story of the Mellen mismanagement of this road ought to have any fears that ownership by the workers could mean as bad management for all concerned. As a matter of fact, the Plumb proposal goes further than any other suggestion in recognizing the public interest in the roads by calling for five directors to represent the Government and public, to be appointed by the President.

As for the other features of the Plumb plan, it is obvious that they call for searching study, which the Brotherhoods invite. Deficits, it appears, will have to be taken care of out of the Federal Treasury, precisely as the public has paid for years of deficits in the Post Office Department—without grumbling—when private administration would have earned enormous profits. The financing with four per cent. government bonds does not seem to us impossible in view of the success of the Liberty Loans. True, the latter were floated with the aid of a national hysteria, often by shameless duress and by an appeal to passion and patriotic emotion, but in the case of the railroad bonds there would be available the entire railroad army to help as salesmen. If we could float twenty billions legally to kill our enemies, it is nonsense to say that we could not absorb as many billions for a constructive instead of a destructive purpose. The question of a fair valuation offers, of course, very great difficulties, but here the courts are to have the last word. Debate and discussion will bring out other faults and the remedies for them. Altogether, if this proposal is to be defeated there will have to be produced a constructive alternative plan of greater merit, such as is not yet in sight. The Plumb plan has life, vitality, and force. It is in line with the new organization of society. It was badly presented under a threat of strike, and an outrageous assertion of one leader that if it were not accepted, the roads would be tied up by the workers forever. Finally, it is true that if this plan succeeds with the railroads, it will be applied to other basic industries. But if it succeeds and demonstrates its effectiveness to serve society and to improve economic conditions, no one will be found to object to its being tried elsewhere.

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The High Cost of Living—Some Remedies

PRESIDENT WILSON'S course in the matter of the high cost of living has been both adroit and able. It has made him master of the domestic situation for the moment, for the Republicans must now do his bidding, and it distracts public attention from the fact that he has been severely checkmated at Washington. Even Shantung will fade into the background, if there is an amelioration of the cost of living, and public gratitude in the event will quite rehabilitate the President. For ourselves, so great is the pressure upon all classes, we sincerely trust that the remedies Mr. Wilson suggests will bring about a prompt amelioration of conditions. But if they do it will be but temporary. Neither putting packers in jail, nor using a firing squad, nor turning loose every district-attorney with orders to convict, will really go to the heart of the situation. The criminal law never has and never will curb profiteers. We have tried it for twenty years at a cost sufficient to build a score of cold-storage plants, and the fines imposed have scarcely paid the marshals' costs.

The food situation is economic, not personal. The essential evil is that the supplying of food is primarily a means of profit to a hierarchy of gamblers, speculators, packers, cold-storage men, commission agents, and middlemen generally. We can secure more food and cheaper food in one way only and that is by eliminating the speculative and monopolizing agencies which surround both farmer and consumer. Food distribution must be rendered absolutely free, so that the circulation of foodstuffs will be beyond private control, or there will be actual government purchase, sale, and distribution. The proof of this lies in the announcement that the government control of food is to be hastily clapped on again in England, after having been abandoned; whereas here it is perfectly obvious that if there is not at least an effort to go to the heart of things, revolution will appear in the offing—as it already has in Italy—and the crippling of the production of food in a comparatively short time. The North Dakota farmers threatened that if the State did not protect them, along the line of the Non-Partisan League's proposals, from the wheat-pits of Chicago and Minneapolis and from the middlemen generally, they would abandon their farms to the mortgagees.

There are only two countries which have had the courage to treat the high cost of living as an economic problem—Denmark and Australia. Both have given new life to agriculture and have cheapened food to the consumer as well. A peasant with a half-acre of land in Denmark can market a dozen eggs, a few pounds of butter, or his bacon in London through a coöperative agency which he, with other peasants, owns, without a penny of profit to any middleman. A ranchman in the heart of Australia can drive his cattle to the nearest railway station, deliver them to the station-agent of the State railway, and they will be slaughtered, refrigerated, and stored in the public abattoir, and ultimately sold in London for him by the Government. Why should carloads of food be destroyed in our cities, as they are reported to have been lately, in order to keep up prices, when people were lacking food? Why are apples brought three thousand miles from Oregon to New York, while apples growing in this State are permitted to rot on the ground? Why should farmers receive from six to ten cents a quart for milk while the consumer ten miles away pays from sixteen to twenty cents? There is no other industry of which these things are true, and there can be no reduction in the high cost of living until we act upon such facts. Among the things that must ultimately be done if we would protect ourselves in the cycle of increasing food costs, then increasing wages, then increasing food costs again are the following:

1. Transportation, the key to the problem, must be effectively organized and coördinated to increase the amount of food produced and to facilitate a cheap and speedy handling. In Europe, the parcels post is widely used as an agency of distribution, both by the housewife and the shopkeeper, as well as the farmer. The Post Office could organize a motor-truck service radiating from industrial centres for fifty or a hundred miles and thus effectively bringing the food to individual consumers. Refrigerator cars and food cars of all sorts should be operated by the Government or by a public corporation organized for this purpose, so that the hauling and refrigerating of food in transit could be under absolute control.

2. There is a coöperative slaughter house within reach of every farmer in Denmark, and every German town has its municipal abattoir. In Australia the abattoirs are government institutions, as already noted. The United States and England are almost the only countries of importance that permit private slaughtering. The development of our packing industry has destroyed all local slaughtering, and the railroads have coöperated in this for the sake of the profits in hauling cattle to Chicago and then, hauling the beef back to the points from which the cattle came.

3. Cold-storage and local marketing agencies are the final factors in the distribution of food essential for the protection of the farmer, who now has to market through commission men whom he does not know. An official investigation showed that there were from eight to ten middlemen between the New York farmer and the ultimate consumer in the city. It has happened repeatedly that the farmer often receives less than the freight charges and therefore does not harvest the fruit on his trees, or moves West in search of better marketing conditions.

4. President Wilson's recommendations as to the handling of the cold-storage problem are to be commended, because cold-storage has become the greatest of all the agencies for feeding the world and has become a means of monopolizing the food supply. Since the Government erected great war warehouses for the handling of its own food supplies, many have come to believe that control of the food problem demands that there shall be similar warehouses over the country to which the farmer and retail merchants could send their products for public sale or storage. Here again the choice seems to lie between government ownership and coöperative agencies; a system of licensing will have little more value than the firing squad for profiteers.

5. Finally, there is the land problem, with 400,000,000 acres of cultivable land out of cultivation, while 200,000,000 acres are owned by less than 50,000 individuals and corporations. As food rises in value, land values rise until they have reached a height that compels many Americans to cross over into Canada. These land conditions are reducing food production just as they are increasing tenancy as opposed to ownership. As in the housing problem, we come squarely back to the land question.

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A Fair Offer

GIVE a dog a bad name, etc. One of our contemporaries says that *The Nation* has a bilious mind and is too apt to look on the dark side of things. It is too delicate and personal an issue to debate, so we prefer to accept the soft impeachment and, for the moment at least, run true to form. We therefore formally denounce and deplore, view with alarm and observe with indignation, what seems to us a failure in the primary essentials of sportsmanship on the part of large and influential groups in the body politic. The financiers and industrialists, for example, do not seem to be getting it all their own way. The war has not been quite a hundred-per-cent. investment for them, and their press is setting up a dreadful cry of pain. One of the morning dailies says that the advocates of the Plumb plan are as bad as Lenin and Trotzky. Editorials, inspired by the bold exactions of labor, are filled with the most gloomy prognostications for the country's future. Reports of strikes are put in exhibit to show that the war has hoisted the proletariat into the saddle, has put the beggar on horseback, and that the wild Tam O'Shanter ride can end only in calamity and destruction.

But whose war was it, anyway? Did not the secretary of one of our great international finance companies, in an expansive moment after dinner, pound the table and say: "If we can only get this country into the war, we can get any damned thing we want?" Well that was a gamble; he must have known it was a gamble. In fact, his steadfast friend who has lately come from Paris, bearing him and his associates apples of gold on a platter of silver, gave out specific warning, in a letter to the New Jersey Democrats, that it was a gamble. Surely, now, good sportsmanship would demand that those who stood to win gracefully on a chance like that should stand to lose as gracefully. Again, the war was fought to make the world safe for democracy; it was so nominated in the bond. This was all very well, and everything went gloriously and in high feather, as long as the powers that be could define and limit and regulate the kind of democracy for which the world was to be made safe. But as soon as the unwashed and unterrified struck in with *their* notions of democracy, and proposed to take their turn at defining and regulating, the powers that be immediately went into a most unsportsmanlike funk and began to cry that the world was doomed to Bolshevism, the dogs, and the devil.

Then all these complaints about atrocities and brutalities in the army, the mediæval character of the courts martial, and so on—why, what does one expect? Major Barrett says that justice does not exist in the army, that at Camp McClellan, where Maryland men trained for nine months, they lived in a hell. No doubt. We hear our fellow-citizens say, in a tone of injured surprise, that some soldiers come back from abroad so brutalized by their experiences that they would murder any one for a five-cent piece. We hear again of the shocking insurrections of the Negroes who have learned the use of arms in defence of democracy, as their superiors understood the term, and are now turning their lesson to account in defence of their own special view of democracy. We regret all these things as much as any one; but we cannot get it quite through our heads why those who are responsible for them should complain of them. To our atrabiliar fastidiousness, it seems most miserably bad sportsmanship. An army is an army, and not even the pious endeavours of the Y. M. C. A. can make anything else of it or turn it to a better use than it has ever had since the dawn of history. "Things and actions are what they are," said Bishop Butler, in a noble passage, "and the consequences of them will be what they will be; why, then, should we desire to be deceived?"

It is as sterile for us to complain of bad sportsmanship, however, as for our contemporaries to complain of our bilious mind. We all need to do better, and perhaps a little more flexibility and humor, a little more lucidity and largeness of temper all round, would be the thing to cultivate. So we make our contemporaries a proposition. The late war was not of our wishing, and doubtless we have done our full share of complaining. Our actual sportsmanship is probably above par, because we took no stock in the gamble; still, perhaps in the heat of controversy our ideals of sweetness and light have been somewhat obscured and we were not able quite to see ourselves as others saw us. No doubt our contemporaries are generous enough to make a similar concession. Well, then, we propose that they and we together go in for a heavy purging regimen, for the sake of the work that remains to be done. Let us both take large doses of Rabelais, Cervantes, Plato, Artemus Ward, and the other great exponents of the human spirit, and get the anchylosis out of our souls for the sake of the race that is set before us. Let us both become permeated with a sense of history, pocket our losses manfully along with our gains, realize that "man is a creature of a large discourse" and set our faces towards the future. Then we can both meet the emergencies of public affairs with something more to the point than the mere vaporings of a bilious mind, and more to the point than feeble talk about the horrors of Bolshevism.

The Method of Indirection

SPEAKING of Newman's preaching, Charles Kingsley once remarked—it was during the famous controversy that resulted in the "Apologia"—that it was Newman's custom to deliver in passing, "as with his finger tip," a word or phrase in which was lodged the whole intention of the discourse, though it might be far away from the ostensible subject. Another critic of Newman, this time an admirer, alludes to the same quality under another image. "Newman's style," he says, "sings round you as musically as a mosquito's wing, and alights on you with feet as fine"—the implication being that you are punctured without being aware of it, and that you discover the operation only by its results.

We suggest that in much of the ordinary business and intercourse of life, this method of Newman's—if method it was, for he affirmed that he was entirely artless—is the correct one. It is only on critical occasions and by quite unusual persons that a direct and unconcealed attempt at persuasion is likely to be successful. This is why so few people are convinced by argument. You may supply reasons as plentiful as blackberries, but to produce the state of mind to which the reasons will seem reasonable is more difficult. Yet this is the whole problem. You merely succeed in forcing your opponent to marshal his reasons against yours, and few are the matters, whether of fact or opinion, in which the evidence amounts to demonstration. Even if it does, the prosperity of a demonstration, like the prosperity of a

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jest, lies in the ear of him who hears it, not in the mouth of him who speaks it. We are so impatient, we hold our opinions or our convictions with such tenacity, we exercise so little imagination, that we lay all our cards upon the table and triumphantly demand of our vis-à-vis whether he has not lost the game. But he has not lost the game. There must be a flaw in our reasoning, though he cannot detect it; or he questions our facts, though he cannot control them; or he has other facts that neutralize ours, if he could only lay his hand upon them. But, you say, this is not to be a reasonable being. Perhaps not, but this is the way most men and women reason. And the instinct that leads to such irrationality is perfectly sound. Everyone knows that few or none of our deepest convictions are matters of logic. They are formed by all sorts of processes, mental and other, of which we are not aware while they are going forward and of which we can give no adequate account afterward. Newman hit it off when he compared the acquisition of "certitude" to the act of climbing a steep cliff. We arrive at the top we know not how—by trusting our weight over and over again to things that will not really sustain it. Yet we arrive, and we are unable to tell anyone else how we got there.

Now the trick of persuasion is, therefore, to suggest a new point of view, to induce your opponent to shift his position, if ever so little, to get him, as we say, into "a receptive frame of mind." And this can usually not be done directly. In these matters we must "by indirection find directions out." It is true that the very word "indirection" implies sinister things, but it need not. Like every other method, it can be used for good purposes as well as evil. One has, let us suppose, a conviction upon which a good deal depends. He desires to make it acceptable to the persons about him. If he is wise, he does not wag the admonitory forefinger. He does not raise his voice; he neither strives nor cries. He does not scatter italics. But he plays about the subject. He leaves it and returns to it. He even laughs at it a little—in precisely the right tone. He occasionally contemplates the other side of it. He yields everything possible to his opponent. He sticks to essentials. He is quick to see the signs of boredom in his auditor—or, rather, to anticipate them. Above all, he seeks to recommend his opinion on this subject by the justness and good temper of his opinion on every other. In two words, his manner is what Newman's is said to have been, "insinuatingly insistent." And little by little, the defences of his opponent give way. A prejudice melts, an ignorance is enlightened, an attitude is unconsciously shifted, and his opponent awakes one day to find that his position is not at all what it was, that he has completely "changed his mind." The triumph of the method is reached if the now convinced opponent does not know what convinced him. This is the sufficient reward of the great preacher, the great teacher, the great pamphleteer. It will be evident that this is the method that underlies and justifies the best type of journalism. However emphatically a newspaper may seem to state its policies, its effectiveness, after all, resides in its daily implications.

The negative value of this method is universally admitted. We know from Pope and from experience how effective it is to "hint a fault and hesitate dislike," if one does it often enough and in the right tone. Why not, then, have the same confidence in its positive value, and employ it more often than we do for serious and noble purposes? All it requires is a little tact, a little self-restraint, and a little imagination.

Athens and New York

WE got what we thought to be an interesting side-light on a whole civilization the other day, in reading one of the dialogues of Plato. A chance remark of Socrates revealed the fact that some of his friends had come around and waked him up at four in the morning simply to tell him that a celebrated philosopher had come to town. We wondered what sort of civilization it must have been that admitted such a thing as quite proper and regular. Our own civilization does not get into such a twitter over philosophers. If M. Bergson or Mr. Bertrand Russell came to New York at four o'clock some morning, the chances are that not even a newspaper reporter would be on hand, because the morning editions would have gone to press, and the feature-stuff for the evening papers could wait for a regular specialist from the sob-squad. No one would telephone around among the *literati* at that hour, just to spread the glad tidings of great joy. There would be no one to telephone, in the first place; and if there were, the *literati* would curse him bitterly. The distinguished visitor would make his way to a hotel where he would meet a clerk who knew nothing of philosophy, go to bed, and the *literati* would send up their cards next day at a decorous hour.

Yet one could imagine Mr. Vanderlip or Mr. Pierpont Morgan being rung out of bed at four in the morning with the news that some one had just come in with a message from M. Klotz about the French loan. Reporters would be there, too, and wide awake. They would have convoyed the visitor from the dock or the railway-station and plied him with an insinuating and persuasive enthusiasm. Such matters do not wait for the sob-squad; they are real news. That is, they are connected with the dominant interest, or what is assumed to be such, of our present civilization. Socrates and his friends would not have been interested to the same extent; they would have gotten a couple of humorous epigrams out of them, and Socrates would probably have tangled M. Klotz's emissary all up in a skein of questions, merely to keep his hand in and extract such entertainment as might be had from the situation—but nothing more.

With consciousness playing freely on the comparison, one is not led to ask which civilization is the better or happier, but rather to criticise each by the other. Our world, instinct with its mission of industrial and political development, is culpably impatient with a purely spiritual activity; the Athenian world, instinct with its own mission, left too little place in its life for the interests that we overpress. Material well-being is necessary, it is the indispensable foundation upon which civilization rests. The ideal society, with diffused well-being as its basis, is one in which the instincts of religion, workmanship, beauty, and amenity all function harmoniously and in balance. The tendency is, however, to become engrossed with one or two, to become obsessed with the importance of one or two, and to think that the rest may be safely disregarded. For this reason, the study of Athenian life is invaluable to us at the present time; its faults are never likely to be ours, its excellences cannot be too much dwelt on—there is no danger that we will ever overdo them. The best fruit of such a study is the assurance that society must progress with all its powers in balance, and that no stress on some of its powers can make up for the mischief of disusing or neglecting the others.

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Labor's Solution of the Railroad Problem

By GLENN E. PLUMB

THE two million organized railroad employees of America have endorsed a plan for the government purchase and the democratic operation of the railroads. The American Federation of Labor has approved the plan in principle and directed its executive committee to coöperate with the railway organizations in their endeavor. Mr. Gompers has assumed the honorary presidency of the league through which the employees are to carry their campaign to the country. So it is not saying too much to name the plan labor's solution of the railroad problem; and it is unnecessary to point to the significance of the fact that the five and a half million skilled workers of America are united in such a demand.

In brief the plan provides:

1. For the purchase by the Government of the private interest in the railroads.

2. For the operation of the roads as a unified system by a board composed of fifteen directors, five to be appointed by the President to represent the public, five to be elected by the operating officials, and five by the other employees.

3. The corporation has no money capital. At the close of the year, after paying all expenses of operating and fixed charges, the surplus is divided into two equal sums, one to be paid to the Government, the other to the operating officials and other employees as a dividend on labor. When the Government's share, in any given year, is more than five per cent. of the gross operating revenue, the Interstate Commerce Commission will be obliged to reduce rates to absorb the amount the Government has received. The employees' share is paid to all employees; but the operating officials receive twice the rate of dividend paid to the other workers.

4. Extensions so far as possible are to be paid for by the community benefited; and when a community pays the entire sum, the building of the extension is obligatory upon the corporation. If the community cannot pay the full cost, the Government pays the remainder out of its profit, and as it deems wise. The Government can, at its own expense, build extensions through regions that would receive no local benefit, if such an extension would be in the interest of the general public.

5. A sinking fund is set aside from the gross operating revenue for the retirement of the government securities with which the property is purchased. Pending the determination of value by the courts, the railroad companies receive half the present rental, this to be deducted from the eventual purchase price. Ultimately all the debt from purchase is cancelled.

6. The Interstate Commerce Commission retains all of its present rate-fixing powers.

7. On the failure of the corporation to live up to the terms of its contract, Congress may revoke its charter.

No matter how the railroads are operated, there are three partners in the industry, capital and labor and the public. The success of operation depends, in the nature of things, on the harmony of this partnership. If, as in the past, capital operates the lines with the chief aim of making profit for itself, there is no incentive to labor to increase its contribution, since every additional effort goes to enrich the employers only. It is a self-evident truth that until management is wholly efficient, the rate the public pays is excessive, and efficiency, being altogether a problem of human factors, is unattainable while there is no inducement to coöperation between operating officials and their men, or to the introduction of improved methods depending on a high spirit of coöperation. It is also self-evident that until the public keeps a check on railroad expenditures and finance, there is no prevention of the practice of falsifying the capital account as a basis for an increase of rates.

The public holds over the railroads the rate-making power, but it is impotent to deal with the two principal causes of high rates. A low degree of managerial skill cannot be taken into account at a rate hearing; and the present fictitious value of railroads, as commonly accepted, shows that the rate-makers have fallen into the snares of fallacious reasoning in according rights to which, we believe, the roads were never entitled. It is labor's proposal to readjust the interests in the railroads to a new balance. Instead of giving capital its head, and the public only an ineffectual rein, and leaving labor helpless and disheartened between the two, it asks for a recognition of two incontrovertible truths: that skill is the prime force in the railroad industry; and that beyond giving to the capital honestly invested in the public service a reasonable return, the public owes it nothing.

The division of dividends among employees is designed as an incentive to skill. As the railroads are now managed, there is no inducement, beyond the hope the lowliest man may hold of rising from the ranks. This chance, often enough pointed to by the individual Americans who justify it, comes, however, to only a relatively small number of men. Even if every financier or industrial leader in America had climbed from the shops to their places of authority, the proportion of those who could not so advance is overwhelmingly large. Nor is there any reason why those who are left behind should be allured by the very slight prospect of "going up" in the world. If the only spur to a man's better effort in his work is the hope to graduate from it, he is not animated by a very praiseworthy desire. Society should give men contentment with the work at hand, and their ambition should be directed to its better performance. True, those who rose from the ranks unquestionably were able to because of their fidelity in the lesser fields; but it is a poor guerdon for those they left behind that a less spectacular skill must be, like virtue, its own reward. Every man is a potentiality of energy which society by one means or another is contriving to develop for the social good. It is the very purpose of civilization to increase the contribution of the individual; to offer, in place of dire necessity, a more generous inducement for the doing of the world's work.

The railroads now set no price on their employees' initiative. If collectively or singly they should undertake a stroke of economy, they have no reward. That is, if they increase production, they merely add to the profits of capital. There are countless methods in the broad category of "scientific management" by which the railroad service could be enormously cheapened and improved; but they are not

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introduced. Why? Workers detest the inspector's stop-watch and the efficiency engineer's charts, but can they be reasonably asked to produce more for some one else's enrichment? The managerial experts are trying to function in violation of human law. But let these managerial reforms be advanced in accordance with that law, and let them lead to greater freedom rather than further enslavement, and they are bound to succeed. The entire doctrine of managerial engineering has been mistaken in attempting to bring about increased production without observing the simple tenets of democracy. If production, not profits, is the first objective of industry, it can only be assured by rational recognition of the fundamental characteristic of the human being.

The argument is made that labor is merely asking the Government to buy the railroads and turn them over to the employees for their free pleasure. It is pointed out that the operating employees and the classified employees between them have ten representatives on the board of directors to the public's five. It is asked why the public, having the ownership of the property, should resign the control. And what is to prevent collusion between the two groups of employees for the increase of wages and the ruin of the service? The answer is simple. In the first place, there are no profits, as such; there are to be dividends on increased efficiency. The plan provides for the continual reduction of rates as these dividends rise above a given level.

Then, too, there should be no confusion about the percentage of the dividends. The difference between ten per cent. of gross operating revenue and ten per cent. on capital is a matter of hundreds of millions of dollars. Ten per cent. of a gross operating revenue of four billion dollars would be $400,000,000, while ten per cent. of the present capital account of the roads would be $1,900,000,000. The rate of dividend falling to the employees for increased production is not comparable with the present rate of dividend to capital. Under the labor plan, if in any given year the Government's share of profits is more than five per cent. of the gross operating revenue, rates must be reduced five per cent. Supposing the Government shares a 12 per cent. surplus on, say, a $4,000,000,000 operating revenue; it then receives $240,000,000, or 6 per cent. Then the rates must be reduced 6 per cent. If there are no further savings and the volume of traffic is not increased in the ensuing year, the men have only $240,000,000 to share with the State. It is our belief that such a reduction must tend to stimulate the men to a further improvement of service; and that it will, in the nature of things, increase the volume of business. So from two sources of increased production—the actually created business and the new skill—labor restores its dividends. By this method, every dollar a railroad man receives represents a reward for a service from which the entire nation has derived a benefit. It is folly to confuse such an outcome with the profiteering of present-day industrial life.

There can be, under the plan, no profit-making, as the word usually is construed, since there is no capital on which a return has to be made. The retirement of bonds and the interest on them are a fixed charge. That, if you please, is the only profit-making in the proposal—the sinking fund and the annual interest, probably four per cent., on the government securities. The dividends to labor are in an altogether different category; they are a share in increased production; they are, precisely speaking, one-half of the surplus from new business, and this for only a limited time. And since every dollar of new business for the railroads is won by improved and cheaper service, it is a gain for every industry.

Still, it can be argued that the entire purpose of the plan might be defeated by the indolent policy of the employees, who, instead of exerting more effort to create new business, could decide merely to raise wages, and so impose a selfish tax upon the public. If this were possible, it would suffice to discredit the entire plan. But the plan safeguards the public's rights; it does not take from the State the control of its property, but only calls for a majority control of the operation of the property, and this under careful provisions. The State retains the absolute rate-making power. Supposing the workers do unite with their operating officials for an unreasonable increase in wages; they still do not have the power to raise the rates to provide the increased revenue. They must convince the public's Interstate Commerce Commission of the justice of their action. And if they increase wages without the necessary revenue, and a deficit arises, Congress can forfeit the lease.

One further possibility is cited against the plan. What if the men's dividends in some years have been, let us say, five per cent. of gross operating revenue, or about $200,000,000; is there anything to prevent the employees from deciding to "play safe" for the next year, and increase wages $200,000,000? Would it not be reasonable for the men to say: "We have earned this dividend, but we are likely to lose it through a new reduction of rates; so we will simply make sure of it by increasing wages by this amount"? To prevent this, the plan gives to the operating employees twice the rate of dividend given to the classified employees. When wages are increased, the operating employee receives only the same rate of increase as the classified employee. This dividend, however, is worth to him twice as much as the salary advance; and even if the dividend were cut down by a reduction in transportation charges, it would probably remain more than the salary increase. In this manner it becomes the primary interest of the operating employees to receive their share of new business always in dividends, and not in added wages; and even if the classified employees should prefer the wage increase, they would be outvoted two to one on the board of directors.

The saving to the public would commence immediately, for the difference in the interest paid for capital borrowed by the Government and capital provided by private investors is from two to two and one-half per cent. on the capital account. This, on a capital account of $12,000,000,000, would be from $240,000,000 to $300,000,000. Today the public is asked to pay on a watered capital account of $19,000,000,000. So the real saving, assuming the conservative estimate of twelve billions to be correct, would be from $380,000,000 to $475,000,000. No one, of course, can measure the savings possible if the roads are operated as a unified system; the interchange of equipment, the centralized purchases, and the discontinuance of wasteful competition would save a large sum. Nor can any one estimate the possibilities of scientific management under democratic control. But it seems safe to predict a passenger rate of 1½ cents a mile, and a 35 to 40 per cent. reduction in freight rates. The Government spends its share of the surplus in extensions and improvements, and in retiring outstanding bonds. The physical value of the service is being continually raised without a corresponding raise in rates; and the capital cost is being continually diminished, until it finally disappears. Thus, ultimately, transportation will be furnished at cost.

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The Director-General's Position*

By WALKER D. HINES

IN order to approach this crucial railway problem by removing all uncertainty at the start, I may state that in my judgment the best interests of the country will be promoted not through permanent government control of the railroads, nor through government ownership, but through the return of the railroads to private management. I do think, however, that the return of the railroads to private management should be made under conditions that will provide for proper government regulation, and I think that there will be a better chance of private management being successful under such regulation if it can be considered on its merits, without confusing it with the question whether temporary government control has been a success or a failure.

There is a great deal of discussion about the merits of private management as compared with government interference, and there is a disposition to forget the form of private management that actually existed in this country before government control began, and to imagine that it was a form quite free from government interference. The fact, however, is quite otherwise. We had made great strides towards a condition in which the Government was controlling in a most effective way some of the most vital matters with which railroad management has to deal. We had got to a point where private management was only partial; where already there was a measure of government management through the control which the Government had for some years exercised over the railroads in determining the prices charged for the commodity which they had to sell, namely, railroad transportation. In some States the rates were fixed absolutely by the State authorities; in others they could be fixed by the railroad companies only with the consent of the State authorities. In practically all States the railroad companies' rates were subject to change by the State authorities. As to interstate traffic, which constitutes the great bulk of railroad business, all the rates were subject to the control of the Interstate Commerce Commission, and by a statute passed in 1917, no increase in rates could be made until January, 1920, without the prior consent of the Commission. So that we had a situation in this country in which private management had little, if anything, to do with the rates to be charged. Besides, the States had begun a good many years ago to deal with questions of service. They had prescribed the passenger trains that should be run and the sort of station accommodations that must be afforded. They had begun to make provisions as to the operation of freight trains and as to their character. The purpose of these provisions was in part to give the public satisfactory service, and in part to protect labor by giving it suitable working conditions. The fact was, therefore, that in matters affecting service, the State governments for years had taken an active part in railroad management. So that even there the theory of private management was a theory only.

As to interstate matters, the Government had not gone so far as to regulate service, although it had virtually determined what should be done for safe operation, which had been for the most part taken out of the hands of the railroad companies. But we were just seeing the beginning of this movement. We were headed towards a progressively increasing participation by the Government in the settlement of service problems, so that we had not only practically taken the fixing of rates out of the hands of the railroad management, but service likewise, at least in a general way. The problem of wages was exceedingly difficult, for there were no satisfactory tribunals to deal with it. There had been, to be sure, an increasing appreciation of the fact that labor not only demands, but is entitled to a voice in determining these fundamental questions. The courts had been called on to deal with wages by the passage of the Adamson Act, on account of the lack of the proper machinery, and there again we were headed in the direction of government control. When we remember such facts, it will help us to see that private management does not mean exactly what it says, for at the beginning of Federal control, it was already seriously qualified, and the qualifications were becoming more important. They were simply an expression of the growing perception that the interests involved were not merely the interests of the owners of the railroads, but the interests of the public in good service, and the interests of labor in the pay which it received and the conditions under which it worked. These things were becoming evident before the war. They are much more evident now. When we think of what private management can do, we must realize that it can never be unqualified. We must find some form of management that will reflect the demands of the public as to what it shall pay for service and as to what sort of service it shall get. It must reflect also the rightful claims of labor. That is our problem; and when we look at it in this way we can see that the difference between private management and government control is a difference in form rather than in substance.

I have had occasion to give many years of study to these problems from the standpoint of private management, and I have had occasion to give nearly two years of study to them from the standpoint of the public, and I want to give some of my impressions as to what would be the proper way to solve them in the future. The old combination of private management and public regulation did not seem to work. For years there had been increasing embarrassment on the part of the railroad companies in raising the money necessary to meet the public demands for service and to provide needed improvements. The railroads were less and less able to induce anybody to buy their stock because they were not able to issue new stock and sell it at par. The truth was that everybody was afraid of railroad stocks, and the railroads were having trouble borrowing money. That meant that their debts were increasing out of proportion to their total assets. The situation was that the railroads were constantly having to borrow more money in order to build new lines and terminals and to make needed improvements, and the margin of safety was gradually being impaired. This resulted in their having to pay a higher rate of interest, which meant that the railroad enterprise of the country was headed towards failure. Then Federal control took charge of it.

How are we going to prevent a recurrence of the situation which existed when Federal control began? I will try to describe in a few words the situation under the old form of public regulation. In the first place, there was a rule

*An authorized compilation for *The Nation* of the Director-General's views.

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that regulation was to be based on the general notion of a fair return on a fair valuation of the railroad property; but the fair valuation was not ascertained, and the fair return was not definite. Every man was entitled to his own opinion on each of these points, and the result was that it was almost impossible for any tribunal to agree as to how the matter ought to be settled. This resulted in great uncertainty. We have in this country 181 railroads with a revenue of $1,000,000 a year each, and several hundred railroads of less revenue than $1,000,000 a year each, and all of these railroads, big and little, were necessary in some way to the public service. But whatever was done towards the solution of the rate or wage problem seemed to result in giving some of the railroads more than they needed, thereby creating popular dissatisfaction, and at the same time giving some railroads so much less than they needed that they could scarcely perform the public service which they were supposed to perform. It was, in short, almost impossible to fix any rate that would reasonably meet the demands of the strong railroads and the weak railroads, and the failure to do so caused dissatisfaction on both sides. My idea is that there ought to be a definite statutory basis for regulation, and that the value of these properties ought to be ascertained. There ought to be a prescribed rate-return to which they are entitled, and this ought to be assured by some mandatory or statutory provision. The rates should be so fixed as to produce that return. Moreover, I think it ought to be provided that if an additional return shall be yielded by those rates, a sum to be determined for that purpose shall be put back into the property for improvements, in order to keep pace with the increase in the demands of business; and further, that the money thus put into the property out of the earnings shall not be capitalized, so as to add to the value of the property.

I would recommend also a consolidation of the railroads of this country into a few large competitive systems, all of which should present a fair average of railroad condition, so that regulation could be equitably applied to them and approximately uniform results be obtained. I believe that from twelve to twenty great railroad systems could be created in this country, each one of them presenting a fair average of all railroad conditions, and that those railroad systems could be so arranged that every important city that now has competition between the stronger railroads would continue to have it. Moreover, I wish to point out that as a matter of fact, even under private ownership, the Government is in partnership with the owners of the railroad. The Government furnishes the franchises and the owners furnish the money, and this constitutes a partnership. My judgment is that a government representative should sit on the board of directors. In this way he will come directly in contact with the interests of the private management, so that he will be familiar with the business and the whole situation. I think also it would be well for the Federal regulating body to have some of its members on the board of directors, so that they also may have in mind the business necessities of the situation and so that the private management, by coming into contact with the government representatives and the other members of the regulating body, may have first-hand information as to the legitimate demands of the public and the corporation. I believe that if these things are done, public regulation of private management will be successful, or that it will at least go far towards correcting the evils complained of.

The Railway Problem Boiled Down

By LOUIS W. RAPEER

FORTY-SIX years ago Charles Francis Adams appeared before the Massachusetts Legislature and made an argument for the public ownership of the chief railway system of that State. As the distinguished author of the celebrated investigation of the scandals of the Erie entitled "A Chapter of Erie," and as the leading member and founder of the Railway Commission of Massachusetts, the first in the country, Commissioner Adams was heard with great respect and attention. He was then the foremost authority on railways in the nation and appeared on the invitation of the Legislature.

In introducing his thesis for state ownership, Commissioner Adams quoted favorably from *The Nation* of February 6, 1873, "a paper well known for its ability and for its free-trade proclivities—a determined opponent of the whole theory and system of paternal meddling and government interference." From an argument against government interference with industrial undertakings generally, *The Nation* is further quoted as follows:

> There is but one case which warrants such interference, and that is essentially the same for all departments of industry. That case arises for a republican government when any one branch of the business of the community is so monopolized that citizens can no longer share in or control it, and so mismanaged that they can no longer endure it. When that day comes . . . Government is warranted, all other remedies having failed, in prostrating private enterprise by the crushing hand of power, and supplanting private industry as best it may.

Mr. Adams accepted this statement and at once went on to show that the railroad business is different from others, such as the shoe trade, a cotton factory, and the like, by being practically free from the ordinary influence of competition and the laws of supply and demand. "Transportation by rail," he says, "is a pure, absolute monopoly, affected only by law and considerations of self-interest, and in no degree subject to the influence of either competition or of supply and demand." He showed that the only points where a semblance of competition entered in was where railways crossed at junctions or came together at common terminals, and that even here, "where combination was possible, competition was impossible," as old George Stephenson had pointed out in the infancy of railways. "The only competition which exists," Mr. Adams asserted, "is between land transportation and water transportation. When water enters into the struggle—when navigation opens—then the freight-agents meet, and rates are reduced; when the lakes freeze up, then the freight-agents meet again, and the rates are raised. Whether reduced or raised, however, the change always is the result of combination."

What Mr. Adams said at that rather remote time is today largely applicable to the solution of our national railway problem now before Congress. The distinguished railway genius went on in this remarkable address, delivered February 14, 1873, to show the folly and fallacy of attempted government regulation of these public highways of steel. He called the attempt at government regulation "unlimited meddling" with the business farmed out by the Government to another for private profit, a system that could ultimately

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end only in failure. He proceeded thus with his argument:

> It is indeed the opponents of state ownership who are the firm, consistent friends of government meddling in industrial enterprises. They insist that the Government shall do the work of the railroad managers; and they call it "regulation." They insist that Government shall reduce meddling to a system; and they call it "supervision." They muddle our railroad legislation into a mass of absurdities; and they call that leaving the railroads alone. We have, I insist, as regards our railroad system, been on a wholly wrong track. We have been trying to regulate it, and all the while say we were not regulating it; we have been trying to meddle, and say we were not meddling; we have been trying to manage, and control, and supervise, and all the while we have chattered and canted about competition and the law of supply and demand. It is high time that we began to see things as they are, and to call them by their right names. There is nothing which renders legislation more difficult or more subtly pernicious than this getting hold of a correct principle, and, in a dull, monotonous, parrot-like manner, making a false application of it. As regards railroads we have been doing this for forty years.

The application to the present emergency is that if they had been doing it for forty years before this hearing of the Massachusetts Legislature, we have now perpetuated this folly for a period of eighty-six years, and it is time to pause.

Congress now has bills before it providing from five to several hundred reconstructed railways systems, supposedly on the long-lost theory of competition. All of these bills would continue the attempt to regulate the unregulatable. Under regulation and the false theory of competition, the railways of the country have about ruined themselves and destroyed their credit. To save their official lives, the railroads must have a major operation, not bread pills. Congress is called upon to extend further the system of professional meddling and to give over the Government's vast credit to this private industry, which has been granted the national highways. Hines, Cummins, Underwood, Watson, Thomas, Esch, and others unmentioned, or still to appear in behalf of great interests, all advocate in their plans or bills government guarantees of fixed returns or satisfactory rates for private capital.

To avoid public ownership, which these gentlemen do not seem to distinguish from government operation, speaking always as if the two necessarily went together as in the postal service, and to continue the worship of competition, the Thomas bill, fathered, or written, by W. W. Cook of the Mackay holding companies, proposes five main railway systems for the country; Director General Hines suggests two in each of three sections of the country, East, South, and West; Senator Cummins, the principal railroad authority in Congress, desires eighteen; and Mr. Willard, President of the Baltimore and Ohio, proposes twenty-two systems. All of the authorities opposed to public ownership who suggest railway plans or bills, or both, hold to the fixed idea of several railroad systems, even though the prime need of this country is for a thoroughly unified, single system, closely linked with water and other means of transportation and communication. The public today insists on a real railroad system and will surely get it either in this Congress or at the next Presidential election. The Government must necessarily control the rates of charge, the issuance of securities, and even the operation of the roads. It must do so both from the standpoint of saving the roads and of aiding the people. There can remain only slight competition in service among different parts of the railway industry, and this type of competition could best be secured through a single unified system with several trunk lines. A government guarantee on private capital is abhorrent to our democracy and will not long be tolerated, if at all. As Commissioner McCord of the Interstate Commerce Commission says, it has "all the evils of government ownership (and operation) with none of the benefits."

The key-stone rejected by the builders of railroad plans evidently is public ownership and private operation under a single operating company. Public ownership plus public operation are tabu. Private ownership of railway securities must secure enormous government backing and constant loans of public credit. It must raise a billion dollars a year for extensions alone. To secure this it must surrender railway control; otherwise the government investments would not be safe. "Government meddling" must be reduced to a "system," either in the hands of the Interstate Commerce Commission, a Secretary of Transportation, or a Federal Railway Board. The public must stand outside and continue the hopeless task of trying to run the business of another to whom it has farmed out the privilege. All the statesmen quoted profess to fear government ownership more or less. Commissioner McCord says he is not unalterably opposed to it and that it may be the best way out yet. But he and the others would nevertheless hold the public to a terribly expensive private system in this great emergency of reconstruction, when the rising cost of living, so largely caused by high railway transportation, and the immense demands of our growing industries cry out for relief through an American system, a real system, of railways—all on the plea that we must try regulation and meddling still longer.

We can safely guarantee private capital on neither income nor rates. We cannot relieve any private industry of either the risk of failure for incompetency or of the opportunity to succeed by merit. We must practically own the railroads of the country, as Senator Cummins pointed out before the Iowa Legislature; and the only way we can own them is to own them, not to pay others for them and still not get them. The country is being driven by private ownership and operation to public ownership. It need not and should not, I believe, now undertake public operation. The so-called "evils of government ownership" are not evils of ownership at all, but evils of government operation. Here is where bureaucracy and red tape enter. Public operation can be highly inefficient or efficient. Private operation with public ownership, under some such highly safeguarded system as the Plumb plan now indorsed by labor, which prevents the pork barrel and avoids control by a class, may secure us the benefits of both public and private ownership and operation and escape their many evils.

The old banker control of our railways, with all its iniquities, thus gives way to a just and logical system of public ownership of the public highways. A single private operating corporation under Federal charter, with large government representation on the board of directors, with democracy for the employees, with extensions made largely at the expense of benefited property, and with the continuance of the Interstate Commerce Commission for rate-making and other functions, would secure the manifold benefits of unification, complete consolidation, justice to the stockholders, who will then own government bonds, and operation in responsible private hands interested only in efficient public service. This, I believe, is the corner-stone rejected by the builders of most of the railway plans.

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The Reëstablishment of Railroad Credit*

By PAUL M. WARBURG

THE National Transportation Conference, in approaching the subject of remedial railroad legislation, was guided by the fundamental thought that the yield of transportation rates, both freight and passenger, should be sufficient to pay for the transportation cost, including a reasonable return on the value of the railroad properties devoted to the public service. In the opinion of the Conference, it is the object of remedial legislation to establish conditions under which the carriers as groups are certain to receive a return sufficient to cover the cost of operation, including a reasonably adequate return on the fair value of their properties; while, on the other hand, such legislation must safeguard the public's interest in assuring adequate service at charges which are not excessive.

The first question to be determined was, What shall be considered a fair value of the railroads. It is evident that a physical valuation—that is, reproduction value of the railroads—if taken as the sole standard, for many reasons, which it is unnecessary to elaborate would produce an entirely misleading and unsatisfactory result. The Conference understands that it is the purpose of the Interstate Commerce Commission in the near future to define what principles it will apply in establishing the value of a railroad as a whole. It is believed that such definition will provide that a consideration of the average earning power of a railroad, for a given period of years, should be given at least the same weight as the physical value of a railroad, and that the Commission's definition will take into account such other elements as may be proper in determining fair value, leaving room for adjustments in individual exceptional cases.

The second question before the Conference then was, What shall constitute an adequate return on this "final valuation." It has been the consensus of opinion of members of the Conference that if private capital is to enter freely upon the venture of further developing the railroads, and if railroad credit is to be reëstablished on a solid basis of genuine confidence, 6 per cent. on the final valuation plus a modest share in earnings in excess of this percentage would constitute the minimum required.

The plan, therefore, proposes that a statutory rule be enacted by Congress requiring that rates and fares to be established by public authority shall be designed to yield the railroads of each traffic section of the United States a revenue sufficient to produce, after proper provision for renewals and depreciation, a net return available for interest and dividends of not less than 6 per cent. on the aggregate final valuations of the property of the railroads devoted to the public service in each of the several sections.

It is furthermore proposed that each railroad netting earnings in excess of 6 per cent. on its final valuation shall turn over one-half of such excess into a contingent fund of its own and the other half into a general contingent fund, until its own contingent fund amounts to 6 per cent. on the fair value of its property, after which (as long as this company contingent fund is maintained at 6 per cent.) two-thirds of the railroad company's earnings in excess of 6 per cent. would go into the general contingent fund, while one-third would be retained by the railroad company for distribution amongst its stockholders or for such other lawful purposes as it may determine.

The payments into the general contingent fund, it is proposed, shall be accumulated until it amounts to $750,000,000, and be maintained at that sum, and any excess shall be used when and as directed by the Transportation Board for the development of the railroad transportation system of the country, for the increase of transportation equipment and facilities, or for the pro-rata reduction of the capital obligations and property investment accounts of the railroads; or if so ordered by Congress, the excess shall be turned over to the Treasury of the United States.

In formulating this plan the Transportation Conference was guided by the thought that in order to attract capital for the future development of our transportation system it was neither desirable nor necessary to erect a structure of speculative investments, but rather to lay so strong a foundation for railroad securities that they would prove attractive to the investor on account of their solidity rather than on account of their speculative possibilities.

The plan does not propose to give railroad security-holders much more than they get today; the increase in return necessary to balance the very delicately poised scales, when measured in dollars, is comparatively insignificant. The benefits of the plan would result primarily from the better organic structure of the whole system and from the greater confidence that it would inspire.

It appears to be the general desire of the country to see the Government withdraw from active business as fast and as far as possible, and the Transportation Conference plan proceeds on this hypothesis. It avoids direct guarantees given to any individual railroad. It recommends a rate-making structure producing no less than 6 per cent. upon the aggregate final valuation of all the railroads of a traffic section. It assures the railroads against failure on the part of the rate-making body to produce the minimum 6 per cent. yield to be prescribed by the statute; but it leaves the railroads free to compete within this assured statutory minimum return for a section. Conceivably one railroad might secure a return of 6½ per cent. on its valuation, while another might secure 5½ per cent. It is left to the energy, ability, and spirit of enterprise of each railroad to secure its maximum share of the aggregate assured for all. The statute would protect the carriers as a group, not as individual corporations, and this, it is believed, is one of the strongest features of the plan.

We must contemplate the project, however, in its completed form, and this would show us in each section a small number of competing consolidated railroads; the weak sisters having been merged with some of the so-called strong companies. In these circumstances a 6 per cent. rate structure for a traffic section is not likely to leave discrepancies between competing companies as marked as in the past. It would seem likely that most of the consolidated railroads would come reasonably near earning their full share of the minimum.

The company's own contingent fund to be maintained by each railroad is devised for the purpose of protecting the carriers against adverse circumstances unexpectedly affect-

*Excerpts from an address before the Interstate Commerce Commission.

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ing an individual company. The general contingent fund, on the other hand, which is to accumulate to an amount of $750,000,000, is designed to make good a deficiency arising in any year when the rates fixed by the Interstate Commerce Commission do not produce a minimum return of 6 per cent. on the aggregate final valuation of the railroads composing a traffic section.

The plan thus provides for two shock absorbers: one against adverse circumstances affecting individual roads, and the other against miscalculations on the part of the rate-fixing body, or against unexpected emergencies bringing about such reduction in tonnage or such extraordinary conditions of operation as would render impossible a prompt readjustment through increases in rates.

It is of the greatest importance, however, that the investing public should feel reasonably assured against such eventualities.

Under the plan recommended the rate-making body would not need to fear that adequate rates would place the strong roads in a condition of excessive or unjustifiable affluence. When once the valuations are definitely determined there cannot be any reasonable objection to industrial enterprises earning a minimum of 6 per cent. and a third of moderate earnings in excess of that limit. That is less than would be required to satisfy any other industrial venture.

When once the contingent fund reaches the amount of $750,000,000 (which, on the basis of the tabulations made for the Transportation Conference, may be assumed to take place in less than fifteen years) it is proposed that contributions to the fund bringing its total above that limit could be used either for providing additional transportation facilities for the benefit of the country (be they equipment or permanent improvements) or for amortizing the cost of the railroads. The latter process could be carried out by a pro-rata purchase of obligations of the various railroads and by a corresponding reduction in their property investment accounts. To the extent that in this manner the property investment accounts would be written down, transportation charges would be correspondingly decreased. Liberal earnings would thus strengthen railroad credit and at the same time redound to the advantage of the whole country.

While the contingent funds when completed will thus render an invaluable service in safeguarding railroad credit, the plan would show a fatal weakness in that it would not provide against the emergency of the most critical years, being those immediately ahead of us. During that period the contingent funds would as yet be practically non-existent. For this reason the Transportation Conference, very reluctantly, has reached the conclusion that it is imperative to recommend to Congress the establishment of a railroad reserve fund of $500,000,000, to be placed in the hands of the Transportation Board. From this fund it is contemplated such sums are to be advanced to the general contingent fund as may be necessary to make up deficiencies in case rates fixed by the Interstate Commerce Commission fail to produce in any one year, during the first ten years after the enactment of the proposed legislation, the statutory minimum yield of 6 per cent. on the aggregate valuations of a traffic section and in case the funds in the general contingent fund are insufficient to make up the shortage. Such payments from the Federal reserve fund would, however, be treated as advances only; they would be paid back with interest from railroad contributions as soon as the general contingent fund had accumulated and remained at an amount of $500,000,000. It is obvious that without such Federal reserve fund, railroad credit could not be reëstablished to a degree sufficient to permit a generous development of the railroads as required in the best interest of the country.

Perhaps I should say a further word of explanation concerning the stipulation of compulsory contributions pro-rata to net earnings on the part of all railroads to the general contingent fund. This proviso is contemplated to go into effect only after the mergers approved by the Transportation Board are completed. The underlying thought is that as long as there are weak and strong roads, the contributions into the fund may be expected to be forthcoming from the excess earnings of the strong roads. When once the mergers are completed and the weak roads are absorbed by the strong roads, there will be a greater equalization of earnings and, conceivably at least, if all consolidated railroads earn their 6 per cent. (and the rate-making body fixes rates providing no more than the statutory minimum) there would not be any excess earnings from which contributions into the general contingent fund could be made.

It is thought that when that time comes it would not be any hardship for these large consolidated companies to pay into the general contingent fund their pro-rata share (to the extent that excess earnings have not provided it) so as to make the total contribution into the fund 5 per cent. of the aggregate net earnings of a section, *i. e.*, at present approximately $50,000,000 per annum.

Under the Conference plan the total increase which would go to the railroads by the adoption of a 6 per cent. rate-making basis is figured to amount to about $137,000,000, and of this it has been calculated that about $51,000,000 would go into the contingent fund from excess earnings of the railroads as at present constituted, so that the total increase retained by the railroads would only amount to approximately $86,000,000 per annum, on the basis of the present standard return.

The Transportation Conference has not left unconsidered the puzzling question whether or not in the long run a return of 6 per cent. on the final valuation might prove to be too high or too low.

It has been suggested that it would be a mistake for Congress to determine a fixed basis of return and that it should be left flexible. Were the question left open, it is to be feared, however, that the uncertainty of the past might continue to prevail and credit might not be reëstablished. A definite assurance seems to be necessary so that the stockholder and the bondholder will know for a certainty what their position will be in the future. It has been suggested that the law might contain a provision whereby within given periods of, let us say, ten or fifteen years, upon the certification of the Federal Reserve Board as to the relative changes of values of securities and of money, a revision might be made by the Transportation Board of what should constitute an adequate return; the decisive element being that no adjustments should be made which would bring the average of then existing railroad stock so nearly down to par that financing through further issue of stocks would thereby become jeopardized.

While it is possible to insert a clause of this nature, and while much is to be said in its favor, it was the feeling of the Conference that a provision of this character would be very difficult to formulate and might add to the complexity of the problem; that credit would be more solidly established by providing a definite basis of rate-making, leaving

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it to the future, in case of need, to take care of itself. It was thought that any fear that the arrangement might turn out to be too favorable to the railroads might be disregarded, inasmuch as after all it was within the power of the Interstate Commerce Commission ultimately to keep the return pretty close to 6 per cent. on the actual value of the properties, less than 5 per cent. going into the general contingent fund, i. e., a net return of 5.70 per cent. If, on the other hand, the return should prove too moderate to attract new capital, the Interstate Commerce Commission could meet the situation by greater liberality in rate-making, or Congress might step in and make the necessary adjustment.

Under present conditions it is doubtful whether a substantial number of railroads could sell large amounts of bonds on an interest basis netting less than 6 per cent.; many, indeed, have recently financed on a very much higher basis. It is to be assumed that, if ever, it will take many years before maturing railroad bonds could be renewed on a basis better than the present average charge of 4.30 per cent. In other words, as bonds mature and as more bonds are issued, the position of the stockholder is likely to depreciate rather than improve.

The alternative would be a direct government guarantee of railroad securities, which, if extended over $18,000,000,000 of stocks and bonds, would tend most dangerously to depreciate our government credit. It is doubted whether under present circumstances a 5 per cent. government bond offered on so large a scale would sell at better than par, particularly if it were subject to full taxation and if every year —for additions, betterments, and improvements—an additional amount approximating $1,000,000,000 were issued.

The Government could not today refund the outstanding obligations of the railroads without paying a substantially higher interest charge than the carriers pay today on the outstanding debt. If the Government guaranteed a certain minimum return on the stock of the new Federal corporations of, let us say, 4½ per cent., the rate-making body would have to provide an adequate margin above that in order to preserve the incentive of competition, and so as to safeguard the liability incurred by the Government. In other words, if the Government guaranteed 4½ per cent., the Interstate Commerce Commission would have to try to establish rates providing 6 per cent. in order to protect the Government against all hazards. The saving to the country would, therefore, be unimportant, while the loss in the credit of the Government would make itself felt all along the line.

It is obvious that ample time must be given to devise and perfect the contemplated consolidations and that a *modus vivendi* must be found for the operation of the railroads during the interval. As the Federal Reserve Act provided for an Organization Committee, which was charged with the duty to divide the country into no less than eight and no more than twelve districts, so our plan provides for a Transportation Board that shall approve or determine the number of consolidated systems and their groupings.

It shall give the railroads an opportunity, and all possible assistance, to carry them into effect. If the mergers cannot be perfected by voluntary agreement, the Board, after five years, shall have power to complete them by compulsory proceedings. The Board shall also have power to sustain railroad credit pending this period of consolidation.

But how are rates to be fixed and profits to be divided during the interval, when valuations are not yet completed and not available to serve as a basis for rate-making and division of excess earnings? It is conceded that any basis during this period will have to be somewhat arbitrary and cannot be entirely satisfactory. But the report appears to have established a method as fair and equitable to all as possible in the circumstances. As a general basis for rate-making it is proposed to use the aggregate property investment accounts of the railroads of each traffic section, as at present carried by the Interstate Commerce Commission. While it is admitted that these property accounts, taken individually, in some cases are too high and in others too low, it is generally assumed that, considered as a unit, they may be accepted as furnishing a fairly accurate basis.

When dealing with individual roads, however, the often highly arbitrary investment account cannot be safely accepted as a basis for determining excess profits. The report, therefore, recommends that for the purpose of ascertaining excess income the valuation of any individual railroad system, pending the completion of the final valuation, shall be that proportion of the aggregate property investment accounts of all the railroads of the traffic section in which it is located which its average annual railway operating income (computed for the period and in the manner prescribed by the Federal Control Act of March 21, 1918) bears to the aggregate annual railway operating income of all the railroads of such traffic section, computed in the same manner.

In other words (taking entirely arbitrary figures for the purpose of an illustration), if the aggregate property investment accounts of all Eastern railroads amounted to approximately $7,000,000,000 and their total net railway operating income during the test period amounted to $350,000,000, if a railroad company's net operating income (standard return) in that period was $35,000,000, or 10 per cent. of the total income, then, subject to the adjustment provided in the plan, its earning valuation would be 10 per cent. of $7,000,000,000, that is, $700,000,000, and the railroad company would divide excess earnings above 6 per cent. on that amount, i. e., above $42,000,000. Discretionary power would be vested in the Transportation Board to make adjustments in particular cases involving undue hardships. It is furthermore provided, first, that if the use of the above-stated method shall produce a valuation of any particular railway system greater than the amount of its property investment account for the three-year period ending June 30, 1917, the amount of such property investment accounts shall be used instead of the valuation derived by the formula; second, that the use of the formula shall not operate to reduce the railway operating income of any particular railroad system below its annual average railroad operating income, as computed under the Federal Control Act of March 21, 1918; third, that to such valuation as shall be derived for any railroad system, in the manner above stated, there shall be added all increases of property investment made by such a system after June 30, 1917.

It is believed that the provisions of the plan proposed by the Transportation Conference will afford railroads during the ensuing years of the interval a sufficient strengthening of their credit to enable most of them to carry on their financial and physical operations until the mergers are completed.

Where immediate financial assistance by the Government is required, the report recommends that provision be made to enable the Transportation Board, directly or indirectly, through the War Finance Corporation, to extend temporary support to particular systems.

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Commissioner Eastman in Favor of Government Management

"ALL agree that private operation [of the railroads] has had many defects in the past, and much thought is being spent on possible means of curing these defects. The mistake lies in assuming that flaws in private operation are less vital and easier of remedy than flaws in public operation. There are so many patent elements of strength, simplicity, and power in national operation, at a time when these advantages are sorely needed, that I trust the thought of the country may be directed to the perfecting of Federal control, rather than to its abolition." In these words, Joseph B. Eastman, former Public Service Commissioner of Massachusetts and now a member of the Interstate Commerce Commission, asks a fair hearing of the case for government ownership. He holds it most important that the roads should not be turned back to the private interests until opportunity has been given for deliberate and constructive consideration of the problem, free from the bias of selfish influences. His endorsement of public ownership as the simplest, most just, and only permanent solution attempts no evasion of valid criticism against this policy.

In the covert hints of private ownership advocates, that "when the roads are returned," there must either be a dividend guarantee backed by the United States Treasury or a very marked increase in rates, Mr. Eastman sees the underlying weakness which the public has been encouraged to overlook. "A guarantee of dividends," he says, "is a mongrel and unsatisfactory arrangement. It would impair whatever initiative private management may still possess. Moreover, if the Government is to guarantee the securities of private corporations, it will not be long, and ought not to be, before complete and direct control over the affairs of those corporations is placed in the hands of the Government. As for raising rates, there never was a time when conservatism was more desirable. Recent events have amply demonstrated the serious effects of an endless chain of rising wages and prices. Increases in freight rates have results more far-reaching than many realize, affecting, as they do, the price both of the raw material and of the finished product." He points out that it is sounder economics, certainly at this time, for the Government to carry the burden of insufficient revenues, apportioning taxes where they can be borne best, than to inflict on producer and consumer further advances in rates, "whose ultimate effects no man can tell."

The fact that capital for necessary improvements can be secured readily and without service-charges is cited by the Commissioner as another strong argument in favor of government ownership. "With national operation," he says, "the credit of the United States is squarely behind the roads, and it is certain that capital can be obtained at low cost as and where needed, and without underwriting syndicates, commissions, or bankers' profits. Under private operation this has not been true, nor is it likely to be true hereafter.

Beyond the supply of necessary capital and the avoidance of exorbitant rates afforded by government ownership, three other principal reasons for perpetuating this policy are seen by Mr. Eastman. The problem of the "weak sister" roads, unification in order to obtain operating advantages, and the question of labor relations are all, the Commissioner holds, to be best solved in this way. He states his position thus in a recent noteworthy public statement:

> Under private operation it is proposed to meet the problem of the "weak" roads by lowering the bars against mergers and encouraging the strong to absorb the weak. By the same gradual process, or by pooling of interests, it is proposed at length to secure the advantages in the handling of freight and in the development and use of terminals which come from unification. Aside from the effect on public sentiment, the practical difficulties in the way of bringing about such mergers on any large scale—in deciding what they are to be, in fixing the terms, in dealing with State laws, in arranging the necessary exchanges of securities—are very great. If experience is any criterion, the chief beneficiaries for some years would be the bankers and lawyers in charge of the negotiations. Under national operation no such difficulties arise. The "weak" roads cease to be a problem, and progress in realizing the benefits of unification need only be continued. Already a good start has been made, and the possibilities in this direction, I believe, even yet have not been fully grasped. Coming to the labor problem, the fact that further raising of rates could more easily be avoided under national operation would in itself make the labor situation less difficult, for advances in rates and wages are apt to go hand in hand. I also believe that the Government can deal with the problem with a stronger and surer hand than private operators, and, under present conditions, more easily secure coöperation.

The "private initiative" argument against government ownership is taken with several grains of salt by Mr. Eastman. He points out that competition has long ceased to be an important factor in railroad enterprise, that dividends are more frequently obtained by exorbitant rates than by good management, and that actual control of the roads is not exercised by stockholders, but generally by bankers with little concern for economical operation. The Commissioner denies unqualifiedly the assertion that Federal operation under the Railroad Administration has proved a failure, maintaining that when the manifold unfavorable circumstances are taken into consideration, a splendid record has been made. "To the argument that government ownership of the roads is a 'socialistic' experiment I attach little weight," concludes Commissioner Eastman. "'Socialistic' is a catchword loosely used as a means to discredit, in default of argument or thought. It has long been recognized that transportation by rail is a public business which the Government might properly carry on, and it is no more 'socialistic' to do so than to provide and care for schools, highways, water supply, postal facilities, irrigation, fire protection, and any number of other activities now publicly administered. The question is one of practical expediency rather than of political theory. Nor do I feel that greater weight should be given to the statements so frequently made that the Government never has done and never can do anything well. They are a slander, not only upon the Government, but upon the people of the country, and breed distrust and anarchy. From experience in both State and Federal service I am convinced that inefficiency in the public service springs from the top rather than from the bottom, and that all the efficiency that is wholesome and desirable can be developed without the incentive of excessive financial rewards, if constructive thought and criticism are substituted in sufficient measure for mere cynicism."

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BEREA, OHIO

A Federal Transportation Board: Its Powers and Duties*

By EMORY R. JOHNSON

BROADLY speaking, there are three tasks of major importance that must be accomplished to bring about the permanent solution of the railroad problem and to insure the success of government regulation of railroads. The existing railway systems, many in number, and of varying degrees of weakness and strength, must be brought together into an appropriate number of vigorous competing systems; the corporations which control these large systems must owe their allegiance to the Federal Government and observe its requirements as to expenditures, capitalization, and corporate practices; and laws must be enacted and enforced that will assure to the railroads adequate revenue, financial strength, and harmonious relations with their employees and with the public.

These tasks cannot be accomplished unless Congress provides appropriate and effective machinery for giving effect to legislative policy. Railroad regulation is an executive problem. Its success depends upon the creation of an administrative agency with responsibilities and powers commensurate with the magnitude of the work to be done and vested with that freedom of initiative and action that will cause it to organize and to function as an effective executive body.

The plan of railroad legislation that has been developed by the National Transportation Conference with the hope that the deliberations and conclusions of the Conference may be helpful to Congress in its search for a permanent solution of the railroad question, calls for the establishment of an administrative agency of large powers and heavy responsibilities. The Conference does not favor placing those powers and responsibilities in the hands of a Cabinet officer. The members of the President's Cabinet hold office for a comparatively few years. They are inevitably selected in large part because of the prominent place they occupy in the councils and activities of the political party in power. They are political appointees and their administration of the railroads would almost certainly be political. The adequate development and the technical efficiency of the railroads and other agencies of transportation are of such vital consequence to the people of the United States that it would be a public misfortune to allow political methods and party politics to control or even largely to influence the regulation of transportation agencies.

The Transportation Conference has, moreover, after very careful consideration of the subject, reached the conclusion that it would be unwise to require the Interstate Commerce Commission to exercise the administrative functions that must be performed to insure the success of railroad regulations. As Mr. Harry A. Wheeler says in his Explanatory Statement regarding the Conference Plan of Railroad Legislation:

"It is believed that the Interstate Commerce Commission ought not to be burdened by the addition to the tasks it now performs of a large number of administrative duties. Should the Commission, as is contemplated, become the authority for the sole regulation of all railroad rates, rules, and regulations affecting interstate commerce, its duties will necessarily be enlarged. To require the Commission to exercise the administrative functions contemplated in the proposed plan of remedial railroad legislation would be to the detriment of the public interest, because it would seriously interfere with the prompt action of the Commission as a body for the regulation of rates, the task for which it was especially created and for the performance of which it is peculiarly adapted."

The Conference recommends that a Federal Transportation Board be established. It should be an executive board, of at least five members, and should be charged with the responsibility both of administering the act which Congress shall adopt for the regulation of railroads and of bringing about the coördinated development of a national system of rail, water, and highway transportation. The proposed Board should not be entrusted with the regulation of rates —that should be left with the Interstate Commerce Commission; nor should the proposed Board be concerned with the construction of waterways and highways, which work should be done by appropriate agencies especially created by Congress. The following specific duties should be performed by the Federal Transportation Board:

1. The Board should determine and announce the grouping or consolidation of railroads deemed to be in the public interest. An opportunity and incentive should be given existing railroad companies to effect the desired consolidations upon their own initiative; but if the desired mergers are not thus accomplished by the railroads within a reasonable time, the Transportation Board should have the power to carry out the plans authorized by Congress for merging all railroads engaged in interstate commerce into a limited number of strong systems so located that each important traffic district of the United States shall be served by more than one system.

2. The Board should have the authority to require, if compulsion is found to be necessary, the railroad companies, as a condition precedent to the formation of consolidated railroad systems, to become Federal corporations, either by the organization of new companies under Federal charters, or by changing from State to Federal corporations in the manner suggested by the Transportation Conference.

3. The Transportation Board should be given authority to pass upon the public necessity for the expenditure of capital (in excess of a minimum amount stipulated by statute) by all carriers by rail engaged in interstate commerce. This power should be so exercised as to prevent unnecessary duplication of line or terminal railroad facilities, and as gradually to bring about the unification of railroad terminal facilities, and to accomplish that degree of coördination of rail, highway, and water terminal facilities that may be found to be in the public interest.

4. The Board should administer the general railroad contingent fund or funds which, as the Conference has pointed out, must be built up and maintained as a means of strengthening and stabilizing railroad credit. The Conference does not favor a government guarantee of a fixed return upon

*Excerpts from an address before the Interstate Commerce Commission.

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the property of individual railroad companies. Instead of the fixed guarantee by the Government, the Conference favors a statutory rule of rate-making that will yield the railroads, as a whole, a fair return upon the value of their property devoted to the public service; and, in order that railroad credit may really be put upon a sound basis without imposing unreasonably high rates upon the public, the Conference recommends that railroads be required to turn over the larger part of their excess profits into contingent funds which shall act as financial shock absorbers. These funds should be administered by the Federal Transportation Board; and, of the many duties to be performed by the Board, none will be of greater immediate value both to the carriers and to the public.

5. The Transportation Board should act as a referee in cases of disagreement resulting in a deadlock of any of the boards which it is proposed by the Transportation Conference shall be entrusted with the adjustment of wages, hours of employment, and other conditions of service of railroad employees. It is the hope of the Transportation Conference that the disputes between the railroad companies and their employees, which have in the past on more than one occasion threatened to paralyze the industries of the country, may be avoided in the future by continuing the method of adjusting wages, hours of labor, and conditions of service that was adopted in 1917, and has been continued and developed by the Railroad Administration. These boards, which have to do with the adjustment of wages, hours of labor, and conditions of service, are made up of equal numbers of representatives of the carriers and their employees.

6. The Transportation Conference recommends that each of the corporations owning and operating the proposed consolidated railroad systems shall organize with directorates of twelve members, "one of whom shall be a representative of the employees of the system, and nominated for that position by such employees, and three of whom shall be selected by the Federal Transportation Board to represent the principal interests involved in the territory served by such system." The directors thus selected are to make regular and special reports to the Transportation Board in accordance with the rules laid down by that Board.

7. The Transportation Board should be authorized and required to inquire into the practices of railroad management and to propose measures for preventing abuses therein. Because of the incompleteness of past regulation of railroads, the financial and other practices of those irresponsible and unscrupulous men who unfortunately are to be found in limited number in practically every line of business, have brought ruin upon some American railroad systems and have injured the security of all railroad companies in the mind of the investing public. It should be the aim of the Transportation Board to promote the legal and moral responsibility of railroad directorates and railroad executive officers, with a view to protecting the funds that have been invested by the public and to making railroad securities safe and attractive investments for the accumulating wealth of the nation.

8. The plan adopted by the Transportation Conference provides that "it shall be the general duty of the [Transportation] Board to promote the development of a national system of rail, water, and highway transportation." The United States, as a result of the initiative of its business men, has an excellent system of railroads. Highway development, although long neglected, is now proceeding rapidly, and motor transportation is being organized on a large scale. The country is supplied with numerous waterways capable of large traffic uses when systematically developed and properly coördinated with the railroads. What is now needed is a Transportation Board vested with the power, and charged with the duty, of bringing the railroads, the waterways, and the highways together into a national transportation system. The railroads and waterways must be connected at river, lake, and ocean terminals, through routes must be established, through rates provided, and opportunities afforded to shippers to dispatch their goods on through bills of lading by such a combination of rail, water, and highway carriers as will be most efficient and economical. This integration of the different parts of the national transportation system can be brought about only by creating some single agency with authority over the use of railroads, waterways, and highways.

In creating the Federal Transportation Board it will be desirable to provide against conflict of jurisdiction between that Board, the Interstate Commerce Commission, and the Shipping Board. It would not be desirable to create a board that will encroach upon the work now performed by the Interstate Commerce Commission, or that will interfere with the activities of the United States Shipping Board. What is needed is a board that will supplement and coördinate the activities of the Interstate Commerce Commission, the Shipping Board, and certain other agencies of the Government. The mind of the Interstate Commerce Commission is now, and should continue to be, upon the regulation of railroad rates and the determination of the value of railroad property. The Shipping Board is temporarily devoting itself mainly to the construction of vessels, but when war conditions end, it will seek to apply to the business of ocean transportation the general principles of regulation that have been applied to railroads, with such modifications as are made necessary by the differences between ocean and rail transportation.

The necessity for a Federal Transportation Board may be clearly indicated by a reference to the present regulation of terminal facilities and services. The Interstate Commerce Commission has certain authority over railroad terminals, and the Shipping Board has limited powers over persons engaged in the performance of terminal services at ocean ports; but neither body has adequate power at the terminals where water and rail carriers come together. There is no authority that can unify terminal operations, that can bring about the physical connection and the traffic articulation of rail and water carriers.

There is no authority having the responsibility of formulating plans for the systematic development of transportation facilities by rail and by water. We shall always have a disconnected and uneconomical system of transportation in the United States until we create a Board whose mind shall be upon the whole transportation problem.

The Board entrusted with the duties that have been briefly enumerated should be composed of men of the highest character and attainments. Their responsibilities will equal, if not exceed, those of the Federal Reserve Board, whose creation at a critical period in the history of the United States has proved to have been of incalculable benefit. The proposed Transportation Board will have an opportunity to perform an even greater service. Its duty will be to guide and facilitate the development of a truly national system of transportation.

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PROPOSED RAILROAD PLANS

	RAILWAY EXECUTIVES	ASSOC. OF RAILWAY SECURITY OWNERS	INTERSTATE COMMERCE COM.	WALKER D. HINES DIRECTOR GENERAL	BROTHERHOODS	VICTOR MORAWETZ	PAUL WARBURG
OWNERSHIP AND OPERATION	Private.	Private.	Private.	Private.	Government ownership. Operation by private corporation run by employees, which pays government a rental out of the receipts of operation.	Private.	Private.
MERGERS	Federal incorporation with mergers allowed, subject to approval of Secretary of Transportation.		Mergers of existing companies may be made in the public interest.	Roads of each locality to be combined into regional systems, six to twelve in number.	Roads all to be operated by one private corporation, stock of which is to be held in trust for the exclusive benefit of the employees.	Railroads to be consolidated into ten or fifteen Federal corporations. Present securities to be refunded by 4% debentures and stocks.	Under Federal franchise, mergers may be made, subject to supervision of Federal regulating body.
REGULATION OF SECURITIES	Federal control exclusively.	Under supervision of Regional and Interstate Commission.	Federal regulation of the issuance of securities.			Debentures and stock to be issued only as authorized by Federal Railway Board.	By Federal regulating body.
CONTROL	A cabinet officer "Secretary of Transportation" to be appointed. Interstate Commerce Commission should be relieved of executive and administrative duties, except as to valuation and accounting, and act as quasi judicial body. Regional Commissions.	Federal regulation through Interstate Commerce Commission, as at present constituted, coordinating with six Regional Commissions. Coordination between State and Regional Commissions.	Better defined relationship between State and Federal control. A broadening of Federal control.	Five-year extension of Federal control. Modified private operation and control thereafter. Government representation on Boards of Directors.	No "Secretary of Transportation"; continuation of powers of Interstate Commerce Commission. The directors shall be selected, one-third by non-appointed employees; one-third by appointed officers and employees; one-third by President.	Federal corporations to be under regulation of a Federal Railway Board headed by Cabinet Officer. Specified number of directors of Federal corporations to be appointed by Federal Railway Board. Regional boards and one central board of regulation.	Regional Board upon which State commissions might be represented with a reorganized Interstate Commerce Commission of 5 or 7, half judicial and half administrative in character at head.
RATES AND RETURN ON CAPITAL	Regulation of rates by Federal government exclusively. Carriers may initiate rates which shall become effective unless disapproved by Secretary of Transportation. Statute shall specifically provide for adequate rates, which must reflect cost of wages and other expenses. Rates may, upon complaint be brought before I. C. C. for review with power to prescribe minimum rates.	A minimum rate of return, fixed by Act of Congress, through rates adjusted as occasion may demand. Interstate rates to be left in hands of State Commissions.	Revenues should be "adequate" and "reasonable." No statement as to any change in the method of rate procedure.	Government to ascertain and guarantee railroads a fixed fair return.	Under regulation of Interstate Commerce Commission. When the government's share of the distribution of profits exceeds 5% of the gross operating revenues, reductions in rates should be made to absorb the 5%.	To be regulated by Federal Railway Board through central and regional boards; local rates to be referred to regional boards, through rates to central board.	Rates to be determined by Federal regulating body. Railroads accepting plan to be guaranteed 4½% on Federal valuation.
DISTRIBUTION OF PROFITS		Earnings in excess of fixed reasonable return to be distributed among employees, railroads earning them, and for certain improvements not to be capitalized in rate making.		Profits above the specified fair return are to be moderately shared in by the railroads and the government, possibly also by labor.	Government guarantees return on bonds issued in exchange for existing capital. Any balance over this is to be divided between operating corporation and the government for the purpose of enabling the Interstate Commerce Commission to reduce rates. The operating company will disburse its share to the employees, in proportion to their annual wages.	Government to guarantee dividends of $2.50; any distribution in excess of $4 to be divided with government. Government to have option to buy stock at any time at $85 per share.	Any return on capital between 6% and 7% to be divided with government and possibly with labor. All over 7% to go to government.
FINANCING	Provisions to be made for funding by the United States of indebtedness of carriers to it growing out of Federal control.	A Federal corporation directed by the nine Interstate Commerce Commissioners and eight railroad men to finance purchase of equipment from the Railroad Administration, purchase of new equipment, and financing of the return of the roads to private control.		Comprehensive program of capital expenditure during five-year period; probably to be provided partly by government; partly by roads themselves where able to borrow.	All financing to be done by the government.	Debentures to be issued to an amount such that interest requires 40% of operating income. Balance of operating income to be capitalized at 6% in stock.	
JOINT USE OF TERMINALS, ETC.	Subject to direction of the Secretary of Transportation; also other similar matters.	To be arranged, also rerouting of freight, etc., by above Federal Corporation.					
WAGES	This and similar questions to be settled by officers and representation of individual employees affected, if possible, otherwise by a board under the Secretary of Transportation.	Regional Commissions to act as Boards of Conciliation. Appeal to Interstate Commission.			A committee of nine directors of operating company empowered to make binding and final decisions in all wage disputes.		

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The Loree Plan

AMONG the numerous plans submitted recently by individuals for the solution of the nation's railroad problem, that of L. F. Loree, President of the Delaware and Hudson Company, takes the form of a revision and consolidation of the Interstate Commerce Law, which has been amended many times since its enactment in 1887 to meet the changing conditions of transportation. According to Mr. Loree, the existing law has become oppressive rather than remedial, and tends to deprive the public of needed facilities and service, at the same time denying to legitimate investors "the fair returns to which they are legally and morally entitled."

What Mr. Loree calls the "vice" of the railroad situation lies in the fact that, with the rapidly rising price of everything the railways must buy, they have been unable to advance proportionately the price of what they sell. He adds:

Consider the financial situation of the railroads if their rate schedules, instead of being stated in money, were stated in fractions of the value of the commodities carried. For example, when wheat sold at 75 cents per bushel at the Atlantic seaboard, the rate from Chicago to New York was 25 cents per 100 lbs., or, if measured in the commodity, one bushel in every five. With wheat selling at $2.25, a freight rate of one bushel in every five would amount to 75 cents per 100 lbs., but the rate actually in force (in 1917) was about 16.8 per 100 lbs. The cure of the situation is, of course, the recognition that in all their variety the railroad problems hang on the one fundamental condition—the credit of the properties. There must be such a basis of rates as will yield a return adequate to command the confidence of the investor whose capital is solicited for new enterprises or for the expansion and improvement of old ones. Capital, as well as labor, must be paid the going rate if the public is to be supplied with that quality of transportation to which it is entitled and which is essential to meet the needs of a growing country.

Mr. Loree's bill follows the existing law as closely as the necessities of the situation permit. It is offered in the hope that proposals based upon forty years of service, involving personal acquaintance with problems dealt with under various conditions, will prove to be helpful to the Government. He proposes to extend the power of the Interstate Commerce Commission to cover State rates which in any way affect interstate commerce. He would also extend the Commission's power to settle labor disputes, requiring that wages and conditions of employment shall be just and reasonable. Employees are forbidden by the bill to conspire to interrupt interstate commerce, and strikes are permitted only on the condition that the dispute shall first have been submitted to the Commission. After the Commission's decision (or its failure to decide within six months), there must be a vote to strike, this vote being taken by secret ballot on a question defined by the Commission. The balloting and counting of the vote would be supervised by the Bureau of Interstate Transportation. This Bureau is created by the terms of the bill to operate under the direction of a chief to be designated from among the members of the Interstate Commerce Commission, and it would take over all the executive and administrative functions of the Commission. The Commission would no longer be permitted to institute proceedings of its own volition, but the Bureau of Interstate Transportation, as well as State commissions, trade organizations, individuals, firms, and corporations would be allowed to appear as complainants before the whole Commission.

Mr. Loree would change the functions of the Commission so that it would become wholly an adjudicating body. The terms of office of the commissioners would be extended to nine years, and the country would be divided into five interstate commerce regions, following the natural traffic divisions of the United States. One commissioner would be assigned to each region and three would remain in Washington to carry on the general work of the Commission. In regard to freight rates, the bill proposes that the Interstate Commerce Commission shall be required, as soon as practicable, to fix, either for the United States as a whole, or for each interstate commerce region, the percentage by which existing rates ought generally to be increased in order to meet expenses and provide proper revenues. No rates not exceeding the present rates by more than these percentages should be regarded as unreasonable in themselves, but any rate may be condemned in case it is found to produce unjust discrimination. Until these maximum percentages are made effective, the Secretary of the Treasury should pay to each system surrendered from Federal control the difference between the actual income and the standard return under the Federal Control Act, if the actual income is less. The bill also proposes that the power to suspend rates pending investigation should be abolished.

Other proposals are for immediate judicial review of findings under the Valuation Act, repeal of the commodities clause, the anti-pooling clause, and Section X of the Clayton Act; also that the Sherman Anti-Trust Law shall not apply to carriers subject to the Interstate Commerce Law. Furthermore, Mr. Loree suggests "that the Secretary of the Treasury shall be authorized to settle and pay claims on account of acts or omissions of Federal officers during Federal control and on account of just compensation for the use of properties. Many such matters will be left open at the end of Federal control, and there should be an expeditious method of obtaining just settlement without litigation, similar to that under which the War Department is now empowered to settle claims growing out of orders for munitions, etc. Appeal to the Court of Claims should, however, be allowed in cases in which agreement is found to be impracticable. Provision should also be made for funding of balances due the United States on account of additions and betterments during the period of Federal control.

In setting forth the virtues of his measure, Mr. Loree says:

It *does not* propose anything which would increase the number of Federal officers and employees, or the expense, to the taxpayers, of Federal regulation. It *does propose* a restoration of the American concept of healthy competition with private responsibility and private reward, subject to effective means for the prompt correction of any rates which are found to be unreasonable in themselves or unjustly discriminatory. It would establish an impartial tribunal, which would exercise powers that are judicial in their essential character, and provide a separate executive, administrative, and prosecuting agency, available to any interest requiring relief, while giving to the same impartial tribunal power to determine labor controversies, thus protecting industry against unnecessary interruption of service. It *does propose* a desirable decentralization of regulative power and the prompt and equitable adjustment of claims arising out of Federal control.

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The Lovett Proposal: For and Against

COMMENTS on the railroad problem by Robert S. Lovett, President of the Union Pacific System, have drawn a sharp and lengthy response from Forney Johnston, of advisory counsel to the National Association of Owners of Railroad Securities, and both statements are now available in pamphlet form, adding to the multitude of suggestions relating to this involved problem. Mr. Lovett admits that Congress must be confused by the vast amount of data in hand, but he adds that many of the theories of railroad regulation, while plausible and attractive in the abstract, are impracticable when applied to actual conditions. The situation, however, is very real, he declares, "and we must deal with actualities. The effect of every radical proposition should be studied carefully before it is adopted. It is not an occasion for experiments."

Mr. Lovett discusses at length the strong and the weak companies and opposes the plan to consolidate all roads into a few systems, saying that such action would, in his opinion, impair the credit of the strong roads and reduce the average of the credit of all companies, and he contends that Congress has no right to compel one corporation to consolidate with another. Again, he questions whether Congress would appropriate the billions necessary for such an enterprise. He believes, however, that the absorption of some of the weak lines by the strong should be promoted, provided that free competition is not eliminated. Mr. Lovett questions the wisdom of the proposal to pool net earnings, saying that "a law that would take the net earnings of one railroad company and give the same to another would be as obnoxious a . would be a law declaring that the property of A should thereafter be the property of B." Discussing the proposal of a guarantee of dividends by the Government, Mr. Lovett is persuaded "that no guarantee short of a return upon the full value of railroad property will be helpful to that end, and that a guarantee of full value is not practicable without government operation, and I regard that as beyond present discussion."

What Mr. Lovett calls the sound remedy is the plan devised by the committee of railroad executives and submitted through its chairman, T. De Witt Cuyler, to the Senate Committee on Interstate and Foreign Commerce. Its principal features are:

(a) The rule of rate-making to be provided by Congress itself, which should require that the rates be sufficient to enable the carriers to provide the requisite service and facilities, to protect existing investments, and to provide the new capital necessary in the public interest.

(b) Compulsory Federal incorporation of all railroad carriers.

(c) Exclusive Federal regulation of railroad securities.

(d) Exclusive Federal regulation of railroad rates.

(e) Creation of a Department of Transportation, with power to act quickly and deal with emergencies, and the distribution of the regulatory powers between such Department and the Interstate Commerce Commission, with the creation of such regional or other subordinate commissions and agencies as may be necessary.

(f) Modification of restrictions upon railroad consolidations, and provision for the merging of lines when in the public interest and approved by the Commission.

In analyzing these various proposals, President Lovett declares that the time has arrived for Congress itself to declare by law a national railroad policy, and that it should not leave it to the Interstate Commerce commissioners "to say whether the policy of the national Government is to impoverish the railroads to please certain shippers, or to improve and extend railroad facilities for the country by making compensatory rates, or to pursue one policy at one season and the other policy at another." He insists that:

> Congress should itself provide the rule of rate-making and require the Commission or other rate-making agency to take into account the increase in taxation, in rates of wages, in cost of materials and other operating costs, and the new capital invested in the property, as well as the value of the property as previously demonstrated. Our railroad transportation system, which is essentially national, should be rescued from the irresponsible and conflicting State agencies, and brought under uniform control and regulation in the national interest, except as to strictly local matters. The national agencies necessary for the administration and supervision of the railroads should be created. It is not enough to create them with authority to act, but they must be sufficient in number and character to act, for it is worse than idle to confer jurisdiction and authority, as upon the Interstate Commerce Commission, to perform a task which in magnitude is utterly beyond its power to perform. Among the agencies that should be created is one responsible for the sufficiency of the transportation facilities required by the people. Since the creation of the Interstate Commerce Commission, the only concern of the Government, as reflected by legislation and commission action, has been to keep down the revenues, prevent discrimination, and generally to chastise railroad management. No sense of responsibility for providing the requisite railroad facilities has been manifested on behalf of the Government. That task has been left for private enterprise, handicapped by the governmental policy of suspicion and repression. But it is now abundantly evident that this policy will not provide the transportation which is essential for the country; that the Government must either take over the railroads and provide the facilities out of the public treasury, or leave them in private ownership under government supervision of a kind and character that will assure fair dealing and attract the necessary capital. If Congress will enact the necessary laws giving railroad capital a business chance, I believe that capital will take a business risk, and the money required to provide the requisite railroad facilities for the future will be forthcoming. But railroad investments and owners will not take all the risks and forego the profits of the business.

Discussing the return of the railroads to private management, Mr. Lovett says that Congress should provide adequately for the difficulties that will confront the companies in view of the increased wage scale and the high cost of railroad materials and supplies. Without adequate provision he believes that many companies will face bankruptcy and that impaired credit will be the fate of all.

In Mr. Johnston's reply to President Lovett, he discusses among other things the question of the regulation of excess earnings and restates the National Association's proposal "in order to free it of the misconstruction arising from the paper [Mr. Lovett's] under discussion." His statement of the "two fundamentals" follows:

> The proposals for remedial legislation presented by the Association are designed to meet two stubborn conditions which have broken down railroad credit. The first is the practice of the Interstate Commerce Commission to make rates in every instance based on the routes or combination of routes showing

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lowest competitive cost, and to disclaim any responsibility for the result of rates in the aggregate. The second condition is the demonstrated impossibility of securing any substantial lift in rate levels necessary to prevent destruction of less favorably circumstanced carriers, without some regulation of the excess earnings that would be received by more favorably circumstanced carriers who would apply the new rates, and which but for that impossibility they would not receive.

To meet these conditions, the fundamentals of the Association's proposal are, according to Mr. Johnston:

1. That Congress shall deliver a peremptory mandate to the Commission requiring it to consider the result of rates in the aggregate and never to permit the rate structure to reach a level where the rates would produce a net return of less than 6 per cent. on the combined railway investment; and that

2. Congress shall be encouraged to grant this statutory mandate and the Commission encouraged to construe it liberally, by setting up in the public interest a limitation upon any excessive and unnecessary earnings which might be realized under the new levels by carriers with an earning power above the average, through surrender of a fair portion of the excess. It is proposed that this limitation be worked out by requiring a division with the Government—and not with other railroads—of earnings in excess of 6 per cent., after allowing the railroad earning such excess to set aside adequate corporate reserves to assure its customary dividends, to protect its credit, and to provide against years of sub-normal traffic. It is proposed that the portion to be retained by the Government be expended in the public interest in transportation, one purpose being the purchase of cars for common use by all carriers, etc., and more directly in the interest of the shippers who paid it in, rather than to let it be placed in the general treasury.

A Plan for Railway Regulation

By NATHAN L. AMSTER

THE railroads are sick and everybody knows it. Doctors from all over the country, many of them quacks, have gathered around the patient. All diagnose the case a little differently. The old financial doctors appear the most grave and the most perplexed over imaginary complications and have offered as a cure such volumes of figures, statistics, and charts as to confuse and bewilder the average person. These financial doctors talk of the railroad problem in terms beyond the understanding of the average intelligent citizen in order to confuse him, as did the Olympian Oracles. As a matter of fact, the railroad problem is quite simple. The railroads are merely suffering from rate starvation and from improper trusteeship. Congress has the power to correct both of these evils.

In approaching the railroad problem from the most practical viewpoint, three things must be borne in mind:

(1) That railroads are naturally monopolistic and for that reason must be under strict government supervision.

(2) That the railroads are the most democratically owned industry in America, barring none; that more than a third of our entire population have more or less of their savings invested in the railroads, either in bonds or stocks, or by reason of owning life insurance policies and being depositors in savings banks.

(3) That railroading is the only industry that has every industry and every individual in the country for its client, and is the common bond between every community and every citizen. With these points properly understood, the railroad problem becomes simplified and easily solved.

The three questions therefore to be considered are:

(1) How can this naturally monopolistic industry be so regulated as to safeguard the public against being tyrannized over by it, since the very life of our commerce, our industry, and our social wellbeing depend so much upon it?

(2) How shall we safeguard, and to what extent protect, the investment of more than 30,000,000 American citizens who have invested their savings in the securities of the railroads outright or through life insurance companies and savings banks?

(3) How can we make this naturally monopolistic transportation system—the nation's arteries of commerce and society—properly perform its function and carry the nation's business and commerce adequately, efficiently, and economically?

I have had occasion to study the railroad problem for more than five years in the capacity of a shipper, stockholder, and executive officer of one of our most important Middle West railroads, and feel that I can speak authoritatively on the questions to be considered in solving the railroad problem. I am convinced, in the first place, that if Congress would give the Interstate Commerce Commission additional power to establish minimum as well as maximum rates, and the power to regulate service and to order needed extensions and improvements, the public would be amply protected and well served. Secondly, Congress should enact a law requiring that the valuation of the railroads shall be based on: (a) original cost; (b) replacement value; and (c) the average yearly net income covering a period of ten years, capitalized at five per cent. Thirdly, I believe that Congress should enact a law making it possible for all of the railroads so valued to consolidate into a single company, under a Federal charter, for corporate purposes, and providing that the consolidated national railroad company shall issue its own stock, par value $100, for every $100 of actual property value which the Valuation Commission may find the different railroads to represent, the stock to carry a limited income of six per cent. Finally, if Congress will decree that in the best interest of the country this National Railroad Company shall be managed by a board of governors composed of an equal number of representatives of the security holders, the railroad employees, the farmers, commerce, and the Government, the country will have the most honestly managed and most efficient and economical transportation system in the world. I believe I have covered the vital points at issue, and if the problem is dealt with in the manner above outlined, I am convinced that a policy could be worked out in the interests of the country, the employees, the shippers, and the security holders, which would revivify the $20,000,000,000 or more of America's most important investment values, which rehabilitation is absolutely necessary in the interest of the country.

The only perplexing question that remains is whether consolidation should result in eighteen or nineteen roads created under an effort to produce artificial competition, or in one privately owned and operated unified system, under strict control and supervision of the Government. I firmly believe in the latter. No one denies the advantages of uni-

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fied operation, both in times of war and peace. Many, however, are inclined to fear the over-centralization of one system and the defects of service due to lack of competition. I feel that these objections can be readily met. By having a representative board of governors, as I have suggested, the dangers of over-centralization can be met. I would suggest that the board governors be nine in number and be selected as follows. One should be chosen from the members of the Interstate Commerce Commission by the President. This will make close contact and complete harmony possible between the rate-making body and the railroad management. A second member of the board should be selected by the President out of five names proposed to him by the State railway commissioners, acting through their national association. I would suggest that two members be selected by the President out of five names proposed to him by the employees of the railroads acting through their Brotherhoods. There should be one member selected by the President from the nominees of the United States Chamber of Commerce, and one member selected from the nominees of the National Board of Farm Organizations. The security owners should propose seven names to the President, out of which he should select three. Thus the controlling board would represent all the interests of the country and yet the national Government would have firm control. I believe that the time has come to regulate from the beginning and not after the act is done.

In addition to this board, I would have an advisory rate board, selected in about the same way by the Interstate Commerce Commission, which shall act under it, to suggest rates, hear complaints, and advise as to improvements. I would try to improve service by an efficiency board composed of five of the ablest engineers of the country, who would make a study of the necessary improvements in the service and make recommendations to the Interstate Commerce Commission. In forming a Federal corporation, I would avoid the legal difficulties of compulsory Federal incorporation by arranging for a method of acquiring the equities of the roads with the consent of the owners. This can be done in four or five different ways, and I would suggest a loan to the railroads of half a billion dollars as a revolving fund. The big question, however, before the country is that of rate-making. I would make it mandatory for the Interstate Commerce Commission to establish a scientific rate structure to provide operating expenses, depreciation, interest on bonds, and dividends of six per cent. on the stock, which stock shall represent nothing but real value as determined by fair valuation. In this way there will be no watered railroad stocks upon which to earn or pay dividends. The surplus earnings, if any, could be divided as follows: Twenty-five per cent. of the excess to labor as a profit-share and as an inducement to efficiency and surrender of the right to strike. A voice in the management and a participating profit in the business would, I think, be sufficient inducement to employees to maintain harmony and exert their best effort in the public interest. Sixty-five per cent. of the excess earnings should be accumulated in a reserve fund until the fund shall have reached the total of half a billion dollars. It will be understood that this fund would belong to the public and would be used for its benefit in improvements and extensions. There can be a provision that the corporation's stock can always be repurchased by the corporation when desirable. Thus surplus earnings may be used to decrease rates, which is the desire of the country.

The Man on the Station Platform

By EDWARD HUNGERFORD

WHEN we speak of The Man on the Station Platform we are not thinking of the industrious fellow who handles the baggage or trucks the freight, but rather of the traveller awaiting his train or the chap who has driven down to the freight-house to get the new fender for his motor-car, or to ship his produce down to the city. There is a good deal of a popular tendency to forget these fellows. Banker This and Banker That issue statements with confusing—and frequently contradictory—figures as to railroad investment and railroad income and outgo, and to The Man on the Station Platform these generally are Greek. He has heard of depreciation accounts and overhead costs and other things of the kind and probably understands them as they apply to his own business, but these great sheets of figures which the expert statisticians prepare are all but unintelligible; the average banker's statement is hardly more understandable to him.

It means little to him that proper consideration of the American railroad problem should proceed from the fact that all our transportation, considered in its proper light and relations, is interlocking and national. Perhaps he should know offhand that the railroad system of the United States today comprises 275,000 miles of line, owned and controlled by 2,905 companies, and employs more than 1,800,000 men and women; how it brings the roast or the joint or the fruit or the vegetable to his table; how meat-calves that are born in Texas, fed in Oklahoma, fattened in Iowa, and slaughtered and dressed in Chicago, come East to be eaten in New York or Boston or Philadelphia or Washington; how the flying refrigerator-car brings cantaloupes from the Imperial Valley of California to the Atlantic seaboard, pausing only for an occasional icing on the way; how other refrigerator-cars bring other melons from southern Indiana or from Colorado, or strawberries from Mississippi or Missouri, or oranges from Florida, California, Louisiana, and Texas; how all in all our railroads carry 650 tons in an average year for every man, woman, and child in the land, which is about three times what the railroads of any other land carry per capita. These figures are impressive, perhaps, but little else to him. When the railroad serves him, it is intensely individual, intensely personal. It is his railroad, if you please, and for the moment it means naught else to him than the train, or the very day-coach that carries him to town, or the box-car with the fender, which should have been at the freight-house three days ago and instead is lost in some congested transfer-yard, an indefinite "somewhere up the line."

It is unfortunate, perhaps, that The Man on the Station Platform has not regarded the railroad problem as a national problem heretofore and at least a quarter as interesting as the Dempsey-Willard bout or the forthcoming dirigible exhibition at the State Fair. Until he does, however, the banker railroaders are wasting their breath—and their stationery. They may fairly shriek that the railroads under government operation have increased their pay-roll nearly a billion dollars a year and may now go ahead of that. The Man vaguely realizes this. He knows that the car-tinker over at the depot now gets $42.50 a week for going along and hammering at the car-wheels when the trains come to a stop, and that this figure is more than the local station-

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agent used to get in a whole month two decades ago. Moreover, it has a personal application to him in the fact that it has a bearing on the ruling-wage for his help on his own place. The hours of a car-tinker are far shorter, his work considerably easier, and the pay much higher than that of a laborer on his farm. And you can make a very good car-tinker in about three days of training.

Of course The Man on the Station Platform means to be fair; most men do, I think. In fact, he has a sort of inborn American pride in his generosity—of mind, as well as of pocket. He knows that wages everywhere have gone up—along with and, in some cases, ahead of living costs. Last week he went into a shop downtown and put down a dollar-bill and asked for a dozen eggs and a pound of lard. He got both. "Where's my change?" he asked the grocer. The grocer smiled. There simply wasn't any. The eggs cost fifty-eight cents a dozen, the lard forty-two cents a pound—and in a country county-seat. I think of the food that one could buy for a dollar in the year after the Spanish war! The Man rarely stops to think how directly the railroads are connected with the disappearance of that dollar.

But there are other things that the Man knows about the railroad—not a national railroad, but *his* railroad, please remember. He knows that where it used to charge him a shade less than two dollars and a half for the round trip into the Big City, just sixty miles distant, it now asks—and gets—$3.89, and runs fewer trains and poorer. The situation in regard to the freight service is no better, is actually worse. And that is why we are justified in calling the railroad problem in its largest sense a personal problem rather than a national one, despite the impressive figures which we have already quoted.

Until the bankers and the other big-wigs who are attempting to steer it this way and that come to see it in this light, it hardly will be a problem capable of the national solution they desire for it. The average man can be talked to in terms of personal service, rather than in large and rather dazzling millions and billions. For after all it matters little now to most of the plain people whether the railroad—their railroad, always remember—is run by the Government or the Wall Street man, whether it earns twelve per cent., or two, or a deficit, as long as they and theirs are carried safely, comfortably, and promptly at a reasonable figure. Which faint suggestion for a plan of action we offer without charge to all bankers and brokers and railroad big-wigs. Until the Brotherhoods were heard from there was a great to-do about the revival of railroad competition after the return of the properties to private control, if they are returned—competition under regulation, if that economic paradox can really be accomplished. I do not believe that such competition can ever come again, nor that competition in any public utility is either wise or economically defensible. But I would like to venture the suggestion that if the bankers and other big-wigs think that a national railroad competition which gave the maximum of transportation service to certain large industrial communities and centres at the expense of others in non-competitive districts, which always received a minimum of service, is going to lead them to a definite goal of success, they are destined to a sad awakening. There are just as many Men on the Station Platforms in non-competitive districts as in the competitive. Together they have voting-power. They are just awakening to a realization of this. And voting-power and railroad operation having become bed-fellows within the past eighteen months; they are at last beginning to understand one another. Which, I hope, is a statement not too cryptic to be readily understood. It should encourage the bankers and private railroad operators not only to speak in plain terms of personal service, but to make such definite promises of a bettered service as to bring to them the active aid and support of The Man on the Station Platform in our rural communities.

That is not difficult. It is feasible. The Man is not unreasonable. Have I not just said that he was inclined toward generosity? He is willing to pay any reasonable price for service. Consider the fact, if you will, that the most popular and crowded train between New York and Chicago is by far the most expensive, the Twentieth Century Limited. We Americans do pay—and pay well. But we have a thrifty habit, an inheritance, no doubt, from our Yankee forbears, of demanding full worth for our money. Which is a perfectly human, perfectly selfish, and perfectly understandable national trait, and so should not be beyond the understanding of those who are about to take over the control of our railroads, whether they be bankers, or the Government, or the Brotherhoods themselves.

A Defence of the Government's Management

TO THE EDITOR OF THE NATION:

SIR: In a recent editorial you dispose of the Government's administration of the railroads in the space of one short paragraph as a "sorry failure." You quote from Director-General Hines's recent report to the effect that the loss in the first three months of 1919 was $192,000,000, and from the statement by the Bureau of Railway Economics to the effect that the loss was $130,000,000. Probably in no branch of statistics is it more true than in the statistics of railroad operation that there is no one index of success or failure.

Before drawing conclusions from the above-mentioned "loss," one surely should ask, (1) Is this a genuine loss? and (2) How has it come about? The Government has virtually rented the railways at a fixed rate per annum. Conceivably rates could have been greatly reduced and practically the total cost of operation paid by the public as tax-payers, or, just as conceivably, rates could have been increased to a point where the roads would be a money-making enterprise, in which case the public, as consumers of goods shipped on railroads, would bear the cost of operation and yield to themselves as tax-payers a net profit. Certainly no one will contend that because the Post Office showed a deficit for years, it was therefore a sorry failure, nor that it was a success in the past fiscal year merely because Mr. Burleson showed a financial surplus.

In regard to the other question, the railways of the country may show a deficit from the working of one or more of the following causes: (1) a decline in freight offered, measured by revenue ton miles; (2) an increase in operating cost; or (3) rates which are too low, considering the other two factors. As a matter of fact, the "loss" has been due to a combination of all three causes. Ton miles have declined sharply since the armistice, but surely the Railroad Administration cannot be blamed for that. The number of ton miles reflects the general industrial condition of the country, and a decline in this item is unfavorable alike to private

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operators and to a government railroad administration. As is well known, a railway, more than almost any other industry, is unable to cut operating expenses in proportion to a decline in business. Operating expenses have been reduced in the three-months period under review, compared with the preceding three months, from $1,135,000,000 to $1,015,000,000, but this was not sufficient to offset a drop of revenues from $1,362,000,000 to $1,108,000,000. No railroad manager or group of managers could have made a good financial showing in that period without a drastic reduction of wages, neglect of maintenance, or some other similar curtailment which would adversely affect service. The greatest increase of expenses was that attendant upon increased wages. The month of January, 1919, shows a total wage bill of $230,800,589, 66 per cent. higher than the corresponding figure for the last month of private operation. The hourly wage increased 48 per cent. The importance of this can be seen when we note that wages constituted 65 per cent. of the total operating costs in January. The record of the Administration in loading cars to full capacity, in keeping cars moving, and in multiplying cars when and where needed has been remarkably good.

The present writer holds no brief for the Railroad Administration. The idea in his mind is that an offhand judgment upon this tangled problem is not justified. It is also suggested that a five-year test period would be futile. The factors are so complicated and so dependent upon a number of circumstances outside the railroad field proper, such as general business conditions, the general level of wages, and the standard of living, that there would be no more agreement in five years than there is today. The question of State ownership or private ownership of railroads will not be settled by a test of efficiency; the answer in the last analysis will depend upon the kind of society we desire.

Washington, July 15 C. E. GRIFFIN

A Solution of the Railroad Problem

By F. LINCOLN HUTCHINS

AS civilization advances through progress in "division of labor," every individual becomes more and more dependent upon the efforts of others. This applies with particular force to the element of transportation; an interruption of only a week in the operation of the railroads would disrupt business and bring the country to the very verge of starvation. Hence it is imperative that there be adequate, uninterrupted rail transportation for the benefit of the great producing and consuming public. The evils of the system under which the railroads were built and operated, up to the time they were taken over by the Government, were many and serious. Roads were promoted for stock-jobbing purposes; parallel lines were built as levers to coerce existing lines. When opportunities for new construction grew limited, attention turned to consolidations, with stock issues curbed only by inability to persuade the public to buy.* Then came the desperate efforts on the part of the managers (selected for the most part by financial interests) to save enough of the gross receipts to pay such dividends as would maintain the market price of such stocks, even though they had to rob maintenance, employees, or service to do it. Such extreme methods worked against efficient service. Adequate means of transportation were not provided. Safety devices had to wait upon dividend requirements. Discriminatory favors were given the financially powerful. Large bonuses and commissions were paid to bankers to perpetuate this intolerable situation.

To provide a cure for some of the more evident evils, national and State control was resorted to, but like all attempts to cure evils that have their root in the system itself, the commissions functioned badly; different and conflicting regulations were made, to the dissatisfaction of both the public and the railroads. We have now come to the parting of the ways, and it is vitally important that the right road be taken for future good. It is well admitted on all sides that there should not be a return to old conditions, and that there are grave dangers in adopting government ownership and operation. What, then, is the solution? May it not lie in *public ownership* with *private operation?*

The acquirement of the physical property of the railroads can be brought about without disturbing by one iota the financial condition of a single individual, or that of the country as a whole. There is outstanding in the hands of the public some sixteen billions of railroad securities, upon which a certain return is made each year in interest and dividends. The holders of these securities had no thought of buying any part of a railroad; they bought interest or dividends; if these were continued on the same average return as they were able to secure from the corporations, their pocket-books would not be affected. Let the Government substitute two, or three per cent. bonds for all securities in the hands of bona-fide investors in amounts to yield the same annual return as the particular securities have paid during a term of years—say five years prior to the world war—and all equities would be conserved. As it is calculated that at least a quarter of the population are now security holders directly or indirectly, the change to entire public ownership is neither violent nor revolutionary. If the various States should thus acquire all the roads that are wholly within their respective boundaries, and if the national Government should take over all interstate lines, the matter of local control would be provided for.

The entire public having become the stockholder of the railroads, how will it secure effective operation? It is customary in all large undertakings to let them out under stringent specifications to the lowest responsible bidder. Is not this method adaptable to railroad operation? With leases properly drawn to conserve the property and to secure adequate service, there would be no dearth of capable railroad managers who would eagerly bid for the operation at a percentage of the gross receipts; and if arrangements were so made that the manager's reward would be increased with every improvement in the service, or with every reduction in cost to the public, he would be put upon his mettle to seek out and apply the most effective methods of administration.

The operation of a railroad demands initiative, resourcefulness, quick decisions applied to varying conditions as they arise, and, more than all, an ability to handle the human factor. All of these elements are foreign to government operation. Governments work through bureaus or autocratic directors far removed from the actual operations. This reduces the actual executives to the position of under-

*A scrutiny of Moody's Manual during the years of consolidation will show the great extent to which was carried this capitalizing of the unearned increment.

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strappers carrying out set and unvarying orders from above. They are thus lowered in the esteem and respect of the rank and file, loyalty is impaired, and team work is impossible. The action of governmental bodies is notoriously deliberate, with a tendency to harden into fixed forms inapplicable to many of the situations that arise from day to day. Great executives cannot be developed under such a régime.

It is patent that the future will demand a different type of management from that which has developed in the past; it will demand men who can bring science to bear upon the production of maximum service at the least cost. Any solution of the problem that does not take into account the psychological element will limit future benefits. It is futile to hope for able managers unless the reward promises to be as great as in other fields. Neither is it possible to find brainy men who will sink their individuality so as to become automata in a merely bureaucratic or directorship system. Such a system has worked under stress of war because of the patriotic desire to see the country through, but a return to normal times will lead to the retirement of the ablest men if the present government control should promise to be lasting.

None of the foregoing considerations militates against the public ownership of the physical property. Those elements that have hindered effective operation are the very things that are valuable in connection with the control of inanimate property. Extensions and betterments, as well as the requirements for service, are subject to scientific determination and may be expressed in mathematical formulæ. These may be determined by study of the potential traffic, only those projects being undertaken which promise to yield a revenue sufficient to pay the cost of operation and interest upon the capital invested. Safety devices, such as the block system and the automatic train-stop, would be installed by the Government to conserve lives and property without regard to the effect upon dividends, which are now the restraining influence. The relieving of the operating managers from all stock-market influences and from all pernicious solicitation regarding equipment or betterments would leave them with an eye single to providing safe and economical transportation according to the stipulations of the leases.

This is a most favorable time to adopt public ownership of the properties with provision for private operation. There is no particular interest on the part of financiers in railroad securities, except to maintain their present financial interests. As railroads have gradually approached a stabilized condition, there has been less and less opportunity to promote new lines, or to use the old ones to secure a money profit. Speculative effort has transferred itself to other fields. As railroad securities have become more and more a matter of long-time investment, they have lost their appeal to the speculative public; and this lessened interest among trading speculators has resulted in the much bewailed "loss of credit," to cure which there is a demand for a lessening of control, and the consequent exploitation of the public, in order to restore the speculative element.

Roads could be arranged in regional groups; terminals could be thoroughly unified and duplicated facilities made more effective; while the operators of the roads would have but the single object of giving the best service at the lowest cost, an interest identical with that of the public they would serve.

Foreign Correspondence

The Threat of Communism in Vienna

Vienna, July 17

AT the present time Vienna is the dead centre of the mid-European maelstrom. Elsewhere the whirlpool is sweeping round in mad, ever-widening circles. Here things are at a dead calm—a rotten calm, as one of the local politicians said to me. Indeed, I have never been in a city or country where such absolute, hopeless stagnation existed. In a former letter I referred to the contest, silent but unrelenting, which appears to be going on between the large cities of the beaten and Bolshevised nations and their hinterland. But in Vienna this contest has already been given up for lost. The situation strikes everyone as quite hopeless—a two-million city and a four-million rural population. Vienna, which used to be the glorious parasite of fifty million hard-working people, could not manage to keep its theatres and concert halls and art galleries and pleasant and unpleasant vices in full bloom by battening on a mere four million peasants, most of whom are mountaineers, wringing a rather meagre sustenance out of an unwilling soil—Vienna could not live on these, even if they were willing to offer themselves up in order that the Ring and the Kerntner Strasse should flower with luxury once more.

But the four million peasants and working people have no intention of making such a sacrifice. They take the most jealous care that they shall not be exploited by that big belly, which is Vienna. The central Government, as Fritz Adler told me, has really no power to speak of beyond the precincts of the capital. In fact, it is only through its powerlessness that it has maintained itself thus far. The various provinces are practically independent, having their local *Räthe*, which forbid the export of food to the towns, and generally they are quite independent. Recently, some of these local bodies went so far as to shut their boundaries to the ingress and egress of travellers, particularly from Vienna. This extreme of particularism, however, the central authorities managed, by dint of persuasive oratory, to overcome. Should the central Government attempt any form of coercion, there is no doubt that the provinces would at once go off and play by themselves. The only threads that still bind the country to the city are public utilities, posts, railroads, telegraphs, etc., and perhaps the rather Platonic sympathy which the country has for the mildly radical Government, which everybody patronizes but nobody respects.

Here you have one of the two reasons why Vienna has not gone communist long ago. The country districts are not really proletarian in their character, but rather petty bourgeois, or Christian socialist, in character. It is true that the regular Social Democrats made great gains throughout the country in the recent communal elections. In Vienna they gained control of the city; in the country their strength grew enormously. But every socialist I have talked to here, Fritz Adler included, states positively that the triumph of communism in Vienna would mean immediate secession by the rest of the country. This is one reason why Vienna has kept to the right of the difficult socialist highway. The other reason is that the two million or more Viennese hope for the continuation of their bread and pork ration. The latter is very poor indeed; we Americans

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seem to be acting in the spirit of giving away what we can't use ourselves. At any rate, the Viennese want the very good American flour and even the very rancid American pork, whose like I have not seen outside an Adirondack lumber camp, to keep on coming. Hence they are not going to try any communist experiments.

And yet everybody confesses quite hopelessly that communism is as inevitable as the measles. "At last," said Professor Lederer, head of the section for socialization, "they will succeed." In the first place, there is an endless amount of money pouring in from Hungary. The communist leaders seem to get along without dues from the rank and file; they publish their newspapers and issue their propaganda without support from their members. They have no representatives, I believe, in the parliament; but in the *Arbeiterräthe* they are very strong. As yet, however, Fritz Adler seems able to keep the *Räthe* from going completely Red. However, in speaking with me, he appeared anything but sanguine as to his power to hold these bodies in line for the Government. The chief communist leaders are Dr. Friedländer, Dr. Kisch, Korachonin, and the two Wertheims. Mrs. Wertheim wears her hair bobbed, looks and acts like a typical Washington Square socialist, and edits the Red daily, *Die Soziale Revolution.* None of the communist leaders impress one as great lights; but then neither do the regular Government bigwigs, who are nowhere. Adler looks like a dreamer and a scholar. When I mentioned his shooting of Stürgk, he said, "Oh, yes!" reflectively and reminiscently, as though he had a rather hard time remembering the occurrence at all. He is a lovable personality, but cannot find the inflammatory, winged word which shall enkindle this dead-alive people.

But given money aplenty, the present terrible cost of living, and the general restlessness due to the lack of and the indifference to work, and you may any day see the communists launch a successful *Putsch,* as it is known all over middle Europe now. In all likelihood the regulars would not make any very violent opposition if a really efficient *Putsch* were launched. Perhaps one of the greatest contributing causes to such an overthrow would be the general apathy of the Government itself, its lack of willpower to make believe that there is hope for Austria. The youthful quality of *Begeisterung* is lacking. In the field of legislation something has been done toward the socialization of things in general, but, as a matter of fact, surprisingly little. The most significant and important law passed is that which establishes Workingmen's Councils, which are not only to take part in the conduct of business and industry, but are also to have a voice in the directors' and stockholders' meetings. In short, the workingmen are to have a share in every phase of industrial and commercial life. This law goes into effect today. Other laws—for the control of the coal industry, for giving the right of expropriation of large industrial enterprises to the State, for empowering communities to expropriate or to engage in business and industrial undertakings—have been passed or are proposed. On the whole, however, as various government officials admitted to me, surprisingly little has been done. "What," say they, "is the use of passing a lot of legislation, going through the motions, as it were, when we know that there is no hope for Austria under present circumstances?"

The director of one of the great banks best expressed the general feeling here toward the Government. "Let us, for heaven's sake, go back to some sort of livable capitalist basis, or let's have communism straight. As it is, they are ruining what little values are left, so that when they get to expropriation, there will be nothing to expropriate. The shares of my bank were worth two thousand two months ago. Now they have dropped to nine hundred. All the enterprises we were interested in are being held up. We can't either go ahead or quit. The Government will neither take us nor leave us." This gentleman proved to be, however, the biggest optimist I have met—almost the only one. He pointed out that the Austrian delegates at Paris were interested less in obtaining an amelioration of territorial than of financial and economic conditions. Vienna is a great financial centre and has banks with hundreds of millions of capital invested all over what was formerly Austria-Hungary. If some means could be found whereby Vienna could continue to be a financial and business and railroad centre, Vienna could continue to exist; but if the business and industrial web of which Vienna used to be the centre should be entirely torn to shreds, then not only Vienna, but also the other former component parts of the Empire would face a serious situation. Involved in this question was also the question of the Austrian pre-war and war debt, the question of a customs union, and a single currency. I pointed out the difficulty of attaining such a solution. "What," I asked, "might be an alternative?" "The union with Germany." This solution had also been proposed by all the other people I talked with. Fritz Adler saw it coming inevitably, though piecemeal. He saw the separate provinces of Austria breaking off and joining Germany on their own.

I asked for a third possibility, and, strange to relate, I got an echo of a proposal I had heard elsewhere, from socialist as well as capitalist sources. "Our best hope would be if America adopted us as a commercial colony." Some former Hungarian statesmen, not reactionaries at all or counter-revolutionaries, said the same thing. "America should take over Hungary and Austria." It seems that Hungary has a lot of untapped oil and natural-gas fields. Austria has water-power and iron. Hungary has some coal. Together the two countries have a large steel and iron industry. Austria alone has in this branch more than fifty thousand workmen. An American syndicate could purchase a controlling interest in the large banks, at the present rate of exchange, 35 kronen to the dollar, for a song. These banks, in turn, control industries and natural resources throughout what was formerly Austria-Hungary. The mighty word of America could force governments like that of Czecho-Slovakia and Poland to be reasonable in the readjustment of mid-European economic relations. In short, a very pleasant dream. I should not have mentioned it had not such serious people as Lederer, my bank-director friend, and the minister of finance of the former Karolyi régime in Hungary all singly and separately mooted this scheme. They said, truly enough, that we had plunged mid-Europe into its present chaos. It must therefore be our business, even if at a considerable profit to ourselves, to pull mid-Europe out of its hole.

Meanwhile Vienna rolls along without knowing the name of its destination. Looking up the Austrian census report, I managed to figure out that at least half of Austria's population is industrial; that is to say, over three million people. These three millions now have very little to do. There is no export, but only import, from Italy chiefly. The

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krone has no value, practically speaking. Food has become a bit more plentiful but no cheaper. The average workingman not only has no work, but doesn't want to work. A lady of my acquaintance told me that she had been advertising for a servant these two weeks and had found no takers. I think this not at all strange. Economists have noted that after long periods of unemployment, the willingness to work disappears. The government allowance here is small, at most eight kronen a day, but with a bit of speculation in the necessaries of life, that is to say, a successful foraging expedition into the country for food now and then, a proletarian can eke out his unemployment allowance.

Indeed, Vienna is now a city of mad speculation. No real business is being done, but everybody is gambling wildly. The town has been filled up with Hungarian *émigrés*, a most unsavory and unromantic company of financial cut-throats and profiteers. Many of them got away with much of their war loot; and now time hangs heavy on their hands. The stocks on the Boerse have been booming. Alpine Montane, the great steel stock of Austria, is almost back to the level it reached in 1917. This great industrial concern should have been taken over long ago by the Government, and the present scandal would have been prevented. Money, unstamped, stamped, Czech kronen, marks, francs, even the nearly valueless white money of Bolshevist Hungary, form the basis for speculation. Everything has an immediate market. *Preisschieberei*, with, for the most part, paper profits only, has gone to Vienna's head. The whole city has been transformed into a vast Monte Carlo. The lobby of my hotel is one of the main gambling centres, where unsavory Hungarian refugees gather to trade, pausing only now and then to curse the Bela Kun Government, which robbed them of their prerogative. And the poor, half-starved Viennese come in from the outlying districts and look at the gamblers with big, hungry eyes. One wonders how long they will be satisfied to look, and when they will begin to *take*.

This very effective climax I intend to spoil by adding a few words on the fuel situation. As yet practically no coal has reached Vienna. The proprietor of an expensive apartment told his tenants the other day that he had just enough coal to heat their rooms once a month during the coming winter. I am told that if transports do not begin to arrive soon, Vienna will not be able to get its coal in time. Later the railroads are blocked with the harvests. At the latest, coal must be in Vienna bins by September. Perhaps one of the chief jobs for Paris statesmen is to order Czecho-Slovakia to come across with coal for Vienna *toute suite*. "For," said Adler, "it will be either coal or communism."

One scandal in connection with the Allied attitude toward Hungary I wish to call attention to. While Paris holds up its hands in horror at Buda-Pest, the Italians are quietly buying all the steamship securities that Bela Kun has confiscated in Hungarian banks. In this way the Italians are gaining control, at a small cost, of the merchant marine of the Adriatic. They are also helping support the Hungarian Soviet Government. Another scandal is the way many of the persons who hold special passports of this or that Allied country lend themselves to the smuggling traffic. A trip to Pest can be made very profitable. You bring back with you a suit-case full of securities that some bourgeois person wants smuggled out of confiscating, Soviet Hungary.

HENRY G. ALSBERG

Finland a Republic

Copenhagen, July 3

FINLAND is now a republic. The struggle over its Constitution ended only in the last days of June, seventeen months after complete independence of Russia was proclaimed at Helsingfors, and nearly two years after the Coalition Cabinet of Oskari Tokoi, in defiance of the Lvoff Cabinet, passed a bill declaring the former Grand Duchy independent in everything except questions of diplomacy and defence. The new Finland will be governed by a president elected for six years—on the first occasion by the existing Landtdag, but ever afterwards by a special Elective Assembly of 300 members chosen by the people. The Landtdag will henceforth be known as Riksdag, thus coming on a level with the independent legislatures of Sweden and Denmark. On legislation the president will have a suspensory veto; and no bill which he vetoes will become law until it is approved by a newly-elected Riksdag. The president is further given considerable powers, particularly in military and administrative matters. But the basis of Finland's Constitution, the one-chamber legislature, remains unchanged, for the good reason that Finland already had—at least on paper, and when the Russian autocracy did not interfere—the most democratic institutions in Europe.

The Constitution has been brought into port only after a severe struggle, in which first the issue, "Republic or monarchy?" and later the issue, "What kind of republic?" were fiercely fought. The first of these issues only became actual after the German collapse. That led to the renunciation of all rights by Prince Friedrich Charles of Hesse, who had been formerly elected king; to the replacement, as Chief of the State (*Rikesforestandare*), of M. Svinhufvud, who had suppressed the Red revolt of January-April, 1918, and was closely associated with Germany, by General Baron Mannerheim, who had in the fall visited London and put Finland's case before the Allies; and to the formation of a new cabinet under Professor Ingman, who, though a monarchist, was not involved in the German connection, and though an Old-Finn (and therefore allied with the Fennoman language enthusiasts), was regarded with confidence by the Swedes. The Ingman Cabinet was predominantly monarchist; and it was based on a Landtdag which, owing to the complete exclusion of the Socialists—the result of the Red revolt—numbering 92 out of 200 members, had a monarchical majority. But as the next general election showed, even among the bourgeois parties, the monarchist sentiment was declining, and a republican Constitution was already almost beyond doubt.

Before Christmas the historical Finnish party system suddenly broke up. The Swedish party, the Agrarians, and the Socialists remained, indeed, intact; but the two Finnish-language bourgeois groups disappeared. These groups were the conservative-clerical and strongly Fennoman Old-Finns and the more progressive Young-Finns. Under the pressure of the monarchy-republic dispute, the monarchists among the Young-Finns joined the monarchist majority of the Old-Finns; and the republicans in both parties also joined. The two new parties were a conservative and monarchist "Concentration Party" (*Samlingsparti*) and a republican "Progressive Party" (*Framstegsparti*). At the end of March, all five parties met in a general election, which produced an overwhelming republican majority. In the former Landtdag,

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elected in 1917, after Kerensky dissolved it, as a protest against the Independence Law of July 18, were 92 Socialists, 26 Agrarians, 21 Swedes, and 61 of the combined Old- and Young-Finnish parties. In the new Landtdag were 80 Socialists, 43 Agrarians, 28 Concentrationists, 26 Progressives, and 22 Swedes. Of these, all except the Concentrationists and 19 of the Swedes were republicans; so that even had the Socialists been excluded from the new Landtdag as from the old, a republican majority would have been assured. The election was considered an Agrarian and a Socialist success. The Agrarians, a new, strongly nationalistic and Finnish party, only a little to the right of the Socialists, got the leadership among the bourgeois parties; and the Socialists escaped the defeat which was predicted for them. Though 100,000 out of their former 470,000 voters were killed, in exile, or in jail as rebels, they lost only a few seats.

The next important event was the resignation of the monarchist Ingman cabinet and the formation of a cabinet of republicans. The new premier—who is also the present one—was M. Kaarlo Castren, member of a family well known in Finnish politics and scholarship, with the Young-Finnish Senator Holsti, till lately Finland's minister in London, as foreign minister. Among the other members of the Cabinet were Agrarians, Young-Finns, and Swedes; but a month ago the Swedish members tendered their resignation, owing to their dissatisfaction with the draft Constitution's guarantees for the Swedish language, and with the alleged too radical plans of the Agrarians. M. Castren's policy as announced in April consisted in putting through a republican Constitution; solving the Swedo-Finnish language dispute; crushing attempts at revolution; and furthering peasant land ownership. The constitutional question dominated all others. Although the Concentration Party and the majority of the Swedish People's Party had been obliged to reconcile themselves to the defeat of their monarchist policy, they had emphatic views as to the necessity of a strong presidency and executive and as to the need of curbing the power of a one-chamber diet. And though the Socialists had, by a resolution of December, repudiated Bolshevism, they were strongly opposed to Mannerheim and to the semi-dictation policy of the Right parties. Following the policy pursued by Oskari Tokoi, in July, 1917, they had determined to make the Landtdag all-powerful. Between these two extremes sat the Cabinet, inclined naturally to a middle policy, and obliged to seek a compromise by the very nature of the existing Constitution. This Constitution provides that no change in the fundamental laws can be made without a two-thirds majority, and, further, that even with a two-thirds majority, no change can be made in one Landtdag unless a five-sixths majority declares the matter to be urgent. It followed that the eighty Socialists, being more than one-third of the Landtdag of 200, could permanently defeat any Constitution bill; and that the Concentrationists and Swedes, being more than one-sixth, could cause the postponement of any decision that they disapproved until a new Landtdag was elected. Compromise was indispensable, because it was the fixed policy of the Castren Cabinet to pass the Constitution in the existing Landtdag.

The main questions at issue were: How should the president be elected? Should he be elected for a fixed term? What should be his powers of veto? The Swedish language and army questions played relatively minor rôles. In the first three matters, the Socialists, having the upper hand in the Landtdag's Constitution committee, to which the Cabinet's draft was referred, pursued a very radical policy aimed practically at government by the new Riksdag, with the executive and the president in more or less ornamental positions. The bill as it left the committee provided that the president should be elected not by a special Elective Assembly, but by the Riksdag, and that he should be dismissible by Riksdag vote at any time during his supposed six years' term. The Concentrationists and Swedes demanded an even greater presidential power than the Cabinet's original draft provided for. They held that the president's independence of the Riksdag should be increased by providing that no person should be at once a member of the Elective Assembly and of the Riksdag; and that the presidential veto on bills should be strengthened by providing that in a new Riksdag, a two-thirds majority should be needed for the passing of a bill passed by a former Riksdag and then presidentially vetoed. The Government's position between these two extremes was made more difficult by the very natural Socialist demand for an amnesty for the many thousands now in jail for participation in the rebellion of last year. On this point the Cabinet partially gave way, in that it agreed to release 3,000 of the prisoners. The matter was further complicated by General Mannerheim's intervention. Mannerheim by no means regards himself as a dummy president. He holds office, he always remembers, "with all the powers possessed by the sovereign under the [Swedish] Constitution of 1772." There is no doubt that he has created for himself a strong position among all the non-socialist parties. He protested to the Landtdag that a president elected directly by the legislature would not have the necessary independence of parties; and he further declared that if the Landtdag accepted the provision making the president dismissible at any time, he would not be a candidate at the first presidential election.

The matter ended in a compromise, in which the Concentrationist-Swedish demands were rejected, but in which the president was to be elected by an Elective Assembly independent of the Riksdag, and was not to be dismissible. This Constitution bill was voted on June 14, and passed by a majority of 162 votes against 33, more than the necessary two-thirds; but the motion declaring it urgent, and therefore passable in the present Landtdag, was defeated, 33 members, among them Concentrationists and Swedes, voting against it. This led to a sharp controversy. In all parties was a strong wish that the Constitution be passed speedily. The Socialists and the Progressive party threatened to depose Mannerheim, and the Socialists threatened to transfer all power to the Landtdag. The Concentrationists, however, were wavering. Much as they desired to get a satisfactory Constitution, they desired even more to keep the indispensable Mannerheim, whom they regard as the one reliable bulwark against the detested Bolshevism. As a result, a fresh compromise was arrived at, involving a few minor changes in the direction of increasing the president's power; part of the Concentrationists abandoned their opposition; and on a new vote, the Constitution, in the sense given at the head of this letter, was declared urgent by 173 votes against 23, and passed by 165 votes against 22. The Constitution has yet to receive Mannerheim's sanction; but of that there is no doubt; and the controversy may be considered at an end.

The Landtdag has now dispersed until October. But it will be called together in this month or in August for the purpose of electing the first president of the new republic. According to general belief, Mannerheim will accept the candidacy; and will very likely be elected. R. L.

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Hunter's Monotone

By J. J. SMERTENKO

The lake is dead.
And through the haze around and overhead
Peers the pale yellow circle of a sun,
Making tri-colored beams upon the grey-green scum,
Shaped in interminable stripes by unseen currents.

The lake is dead.
And not the slightest breath breaks through the mist
To form a single ripple,
Or shake the yellow drooping leaves
Upon the trees that seem but shadows of themselves.

The lake is dead.
The heavy haze that rests upon it
Makes water, sky, and shore one with itself;
Though sometimes golden heat-waves shimmer through the gray,
And white-backed wrens make for the trees and wet, black rocks.

The lake is dead.
And motionless lie the decoys upon its surface,
The solitary diving duck they lure near shore,
Whence the reports of the rock-hidden gun
Boom like the belching of the waters.

In the Driftway

OF all the hard-hitting fighters, ex-Secretary Lindley M. Garrison stands in the front rank. He has, therefore, been in his element as the head of the Brooklyn Rapid Transit Company in its fight last week against the strikers. Whether one agrees with him as to his attitude in this matter or not, the Drifter can vouch not only for Mr. Garrison's ability, but for his absolute fearlessness in standing by any position which he takes up in the belief that it is the right one. He is almost the only man who gave Theodore Roosevelt as good and better than he got in a controversy. This was when Mr. Garrison was Secretary of War. He not only hit harder blows in direct and forcible language than Mr. Roosevelt, but he ridiculed him, and that was an unforgivable offence. He resigned from the Cabinet because of what President Wilson called a misunderstanding, but what Mr. Garrison charged was a deliberate breach of faith with him on the question of military preparedness. Mr. Garrison also had the distinction of being almost the only man in the original Wilson Cabinet who dared to talk back to Mr. Wilson and to question the wisdom of his positions. Everybody else might be a mere echo, but not Mr. Garrison. Withal, he is an ideal executive and a most entertaining and charming companion. But the Drifter feels very strongly that the last public man he should like to get into a controversy with is the receiver of the Brooklyn Rapid Transit Company.

* * * * *

THE Drifter cannot refrain from sharing with his readers the following amusing letter just received from Mr. Ernest L. Meyer, of Madison, Wis.:

SIR: In setting up a solid wall of opposition to the school of political buncomb headed by Mr. Wilson, *The Nation* has been guilty of the most infamous of crimes: ego-lynching. Think of the shattered equanimity of spirit, the intellectual turmoil, of the shoals of "Old Readers," who, under the delicate persuasion of our President, acquired a certain momentum of liberal opinion, only to be brought to a dreadful standstill by the heresies of an old and valuable journal. You may differ with me as to the good taste of rhyming lightly about anything so tragic as a lost subscriber, but surely your mailing-list ought to present optimistic proof that the phenomenon, though perhaps widespread in your old stronghold, the academic circle, has resulted in the shifting, and not the loss of *The Nation's* influence.

SIR: PLEASE DISCONTINUE

Hiding well his agitation
  Deep beneath his calm exterior,
Mr. Drydust stopped *The Nation,*
  Took a journal much inferior,
But which holds to sane opinions
  And gives moral consolation.

Consistency, no more a jewel,
  Is as common as an oyster;
When old journals play the fool—
  Lose their heads and reel and roister—
Buy another! Keep your notions
  Taintless as a nun in cloister.

Pity! Mr. Drydust driven
  To a weekly, dull and new.
Will it, ere the months are seven,
  Change its notions, too?
Will he then read something safer:
  Squidge's Needlework Review?

THE DRIFTER.

Contributors to This Issue

GLENN E. PLUMB is counsel for the Railway Brotherhoods, and the author of the plan for the reorganization of the railways which bears his name.

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JOSEPH B. EASTMAN was formerly a member of the Massachusetts Public Service Commission and is now a member of the Interstate Commerce Commission.

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EDWARD HUNGERFORD has published several books and many magazine articles on subjects connected with transportation.

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L. F. LOREE is President of the Delaware and Hudson Railway Company.

NATHAN L. AMSTER is a Boston capitalist who was chairman of the executive committee of the Chicago, Rock Island, and Pacific Railway at the time of its reorganization in 1917. He is the President of the Citizens' National Railroad League.

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Correspondence

The Senate and Ancient History

TO THE EDITOR OF THE NATION:

SIR: Why flay Mr. Ford for his acknowledged ignorance of history, as many of your esteemed contemporaries are doing? Was it not so celebrated a statesman as Sir Robert Walpole who remarked that "history could not be true"? On this ground, several New York newspapers have taken occasion to point gleefully to Mr. Ford's unfitness to fill the office of United States Senator. However, I feel sure that Mr. Ford would not lack for company in that august body. There is no member of either House who, judging from his writings and speeches, appears to have sufficient knowledge of the laws of history to be able to apply them to the conditions by which we are confronted today. Yet that is all that makes the study of history valuable. And when I say history I mean not the history of the United States, nor the history of England, nor the history of France only, but the history of Europe and her colonies from the earliest times. One must know his Thucydides and his Polybius, as well as his Macaulay and his MacMaster. In fact the former are the more important, because we see in them laid bare, divested of all disguise, the forces that are at work in our own time. Listen to this from Thucydides: "The real cause I consider to be the one which was formerly most kept out of sight. The growth of the power of Athens, and the alarm which this inspired in Lacedæmon, made war inevitable." Or this: "In a single battle the Peloponnesians and their allies may be able to defy all Hellas, but they are incapacitated from carrying on a war with a power different in character from their own, by want of the single council-chamber requisite to prompt and vigorous action, and the substitution of a diet composed of various races, in which each state possesses an equal vote, and each presses its own ends, a condition of things which generally results in no action at all." This is the brand of historical knowledge that is of value to the man in public life, not a few isolated and unrelated facts of modern history.

North White Plains, N. Y., July 26 J. L. ELDREDGE

The Negro Problem

TO THE EDITOR OF THE NATION:

SIR: A public service of unusual value was performed by *The Nation* in printing Mr. Seligmann's article entitled "Protecting Southern Womanhood" in its issue of June 14. Coupled with your editorial on the same general subject, "The Negro at Bay," it represents with unusual clearness and frankness a situation which this country must deal with some day, and which delay can only render more difficult. Whether one is interested in the Negro or not, interest in the country demands that the thinking people of the nation turn their attention to the most serious domestic problem now confronting them. I say "most serious" with a full realization of the meaning of the words. I am old-fashioned enough to believe that moral questions transcend in importance questions of economics or politics, and that anything which blunts the moral sensibilities of a people, and permits them to regard any group of human beings as outside the Ten Commandments or the Golden Rule, lays the axe at the foot of the tree of national life.

Washington, July 23 S. M. KENDRICK

Wanted, a More Excellent Way

TO THE EDITOR OF THE NATION:

SIR: Because I feel that *The Nation* champions the Negro's cause from a high moral, and not from a sentimental or political viewpoint, because I believe its ideals of truth and justice are higher than those of any other journal printed in America, I am deeply interested in knowing what reasonable course it would advocate for the American Negro to adopt in helping to destroy the national pastime of lynching. You term Mr. DuBois's manly and courageous editorial in the May *Crisis* "dangerous and mistaken," and again, in your latest issue, you speak of "the mistaken teachings of some [Negro] leaders." They may be wrong, but what better way would you suggest?

I am a stranger in your midst—indeed, in the world—a poor follower of the truth. I have lived in the South, in the West, and in the East, not without remarking that Negroes are surrounded everywhere by mad dogs in human form. When a mad dog breaks loose, we call a policeman, and if one is not in sight, we kill the dog if we can. To me a lynching-mob bears a great resemblance to a pack of mad mongrels; but I may be wrong. Being black, I may see the hideous thing only through the eyes of prejudice, and not so clearly as you do from your pedestal of pure pity.

But what would you advise Negroes to do when the Federal or State Government withholds from them its protection, as it invariably does? Should they stand by with folded arms and see a member of their race tortured and burned? Should a Negro let himself be taken and tormented without show of resistance? Should Negroes remain supinely inactive while the womanhood of their race is outraged (and, incidentally, that of their tormentors cheapened)? In short, should not a Negro defend himself when attacked by the chivalrous Caucasian?

Have the blacks no soul of honor, no sense of racial pride? The fire of race hatred has burnt into our vitals. For America this is the greatest aftermath of the war. It is more than Mexico and Haiti, Shantung and Fiume, the Treaty and the League; yet all the little politicians, from the President down, ignore it.

You may have noticed that *The New York World*, the organ of political democracy, applauds the Negro spirit of resistance that you deplore. But you may know of a saner, a more excellent way of practical righteousness in the present circumstances. If you will only set it forth, perhaps many discerning Negro leaders will listen to you.

New York, July 24 CLAUDE MCKAY

["Thou shalt not kill" remains the only sound precept for races, nations, and individuals. It is the meek alone who shall inherit the earth. The Negro has, of course, the right to defend his home.—EDITOR of *The Nation*.]

An Ante-Bellum Voice on the Negro

TO THE EDITOR OF THE NATION:

SIR: In your recent wails over the race riots, you seek to throw the blame on the whites, especially on editors who "encourage lawlessness." They are far less guilty than you, for they at least stand up for white civilization against the forces of savagery and brutishness represented by the Negro, while you would fill his head with a lot of incendiary rubbish about his rights and his place in life. If you would come to Washington and be robbed and insulted and elbowed for a while by this malodorous third of the population, who seem to think that they are better than their betters, you might be cured of your ante-bellum sentimentalism about your "poor downtrodden black brother." The only thing to be done with the Negro is to keep him in the subordinate place for which Nature has adapted him, and this can be done if leaders like you will face the facts.

Washington, August 1 B.

Emigrés New and Old

TO THE EDITOR OF THE NATION:

SIR: How beautifully history repeats herself! Just as the French *émigrés*, fleeing from the Revolution, tried to induce the

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German princes to unite and put down the enemies of the Old Order of Things, so now the representatives of the Russian bureaucracy, fleeing from the exaggerated spectre of Bolshevism, are engaging even the democracies of the world to unite and put down these new advocates of reform; and we have the spectacle of the United States sending its "subjects"—so the papers call the men who used to boast of being the equals of kings—to fight the Reds in Russia and Siberia. Does not the speech made by General, the Marquis de Custine, at Mayence, February 24, 1792, have a peculiarly familiar sound? Speaking before the German Society of Friends of Liberty and Equality, he said: "All nations form but a single family, bound together by the eternal principles of reason and virtue. Doubtless the French people has been driven to the sad necessity of making war, but we are making this war only that we may make no more in the future—in order to punish the injustices that have been inflicted upon us and to make known the rights of man to peoples that are born to be free. Deceived by the *émigrés*, the German princes thought that the conquest of France would be only child's play. The unanimity of twenty-five millions of men was not enough to undeceive those wretches; but the armies of France have now given the force of law to the decisions of their nation, and our enemies, trembling before our victorious arms, have abandoned the soil of liberty. They have drawn back, and they will never dare to attack us in this fortress. If they should, we should give them new evidence of the superiority of free men over slaves. May shame eternal dwell with those who prefer the clank of their chains to the sweet voice of liberty!"

Now, just as at that epoch, the glorious sunrise has been quickly obscured by new clouds rising from the same old quarter; and the bright hopes of men are vanishing in the prospect of another century of storm; for we are assured that this Devil War, "so happily concluded," has put back civilization a hundred years.

Ogunquit, Maine, July 18 NATHAN HASKELL DOLE

Guaranteeing the British Empire

TO THE EDITOR OF THE NATION:

SIR: By the 10th Article of the League of Nations, the United States of America would be pledged to "preserve as against external aggression the territorial integrity and existing political independence of all members of the League." By this article America would be compelled to guarantee, with her fleets and armies, for an indeterminate period, "the territorial integrity" of the British Empire.

America would, of course, incur many other obligations under the 10th Article, such as guaranteeing Korea and the Shantung Peninsula to Japan; but the obligation to "preserve" the British Empire would be the most crushing and burdensome. Before the war, Britain held, by force of arms, about one-fourth of the habitable area of the world, and governed almost exactly one-fourth of the world's population. As the spoils of war, the British Empire has just acquired from Germany about one million square miles of new colonies, which England will govern under a "mandatory," a visionary instrument, described by a writer in *The Fortnightly Review* as a "diplomatic fiction."

Besides these actual accessions of territory, England will acquire extensive and valuable spheres of influence, notably in Mesopotamia. Taken altogether, I have seen it stated that England will now control, by her fortifications, naval stations, fleets, and armies, by actual force and by intrigue, almost one-third of the entire world, with its inhabitants. No such empire has ever been known in history. Babylon and Rome fade into insignificance. And our country, the United States of America, is to guarantee the existence of this monstrous, this inconceivable empire, perhaps forever. Free and democratic America is to assist imperialistic Britain to hold one-third of the entire human race in subjection, by force of arms. I ask any American citizen, is this the way to make the world safe for democracy?

New Haven, July 24 VERITAS

A Typical Case of War Department Oppression

TO THE EDITOR OF THE NATION:

SIR: Early in 1918 I had the unhappiness of attending for the first time in my life a court martial, held in Boston. I saw there the glaringly inevitable difference between the ordinary jury trial and the military court. Whereas no man who cherishes prejudice against the accused can sit on a jury, the court martial is necessarily composed of officer-judges instinctively possessed with the prejudices of their caste or profession, to whose minds any offense against military regulations, and especially the offense of pacifism, takes on an egregious importance. The prisoner before this court was Philip Grosser, a conscientious objector. The fact that he was born a Russian Jew and avowed himself a socialist probably created extra prejudice against him. No one who witnessed the trial can have been surprised at any scandal in the conduct of army courts. Already before the trial, and while the War Department had not formulated its policy toward the C. O.'s, the prisoner had been sent to a fort in Boston Harbor and subjected to torture in order to break his will. The court airily assumed that he was an ordinary soldier deliberately guilty of disobeying military commands, ignored his status as a prisoner in a special class awaiting a general decision by the Government to cover his case, and sentenced him to thirty years of imprisonment. The court was composed mostly of young Americans, and the young man whom they thus doomed to ruin gave the impression of unusual ability and bore an excellent character.

When at last the Administration formulated rules for the treatment of the C. O.'s, Grosser, with other men who had been variously abused in the interim (for example, a fine young Irishman of my neighborhood was driven to the verge of insanity), was transferred to Fort Leavenworth. Something of the cruelties perpetrated there, in that utter disrespect of the human spirit which is the essence of the criminality of the war system, has already become known. Let no one complacently believe that the cruelties have been stopped. As before, Grosser, while willing enough to work as a helper, for instance in the dining-room, quite refused to accept the status of a soldier. I am told that he made friends in the prison and that the chaplain reported him as "one of the finest fellows there."

For many weeks, however, his Boston friends have heard nothing directly from him—a fact which, coupled with what we knew about the Fort Leavenworth punishments, caused increasing anxiety. It appeared finally, for reasons which no inquiries so far have discovered, that he has been sent to the Alcatraz military prison in California, the very name of which arouses suggestions of horror. We learn that he has passed through a penal period of fourteen days in "the hole" or dungeon, a place of darkness and damp, of rats and filth. Kind people would gladly visit him, but permission is "refused." Word comes that he is recovering sufficiently to be scheduled for another fortnight in the dungeon, beginning soon. We used to be shocked at the doings of the German war-machine; it looks as if all war-machines were much alike. We cry out at Bulgarian cruelty, largely, I fear, because Bulgarians fought on the other side in the great war. It is doubtful whether Americans, on their cruel side, are very different from the Balkan people.

Is it not possible that letters and telegrams to Washington, urging that officials cannot wish to be responsible for any more cases of insanity or death, may penetrate the folds of their red-tape and touch their inconsiderate hearts? I believe this case merits wide publicity, not merely for Mr. Grosser's sake, who has never wished exceptional favors, but for the sake of scores of other young men still imprisoned.

Southwest Harbor, Me., July 31 CHARLES F. DOLE

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BEREA COLLEGE BEREA, OHIO

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A League to Enforce Peace. By Robert Goldsmith. The Macmillan Company.

Selected Articles on a League of Nations. Compiled by Edith M. Phelps. H. W. Wilson Company.

The Idea of Public Right. With an Introduction by the Rt. Hon. H. H. Asquith. London: Allen and Unwin.

The Moral Prerequisites of a League of Nations. By Felix Adler. American Ethical Union.

League of Nations. By Theodore Marburg. The Macmillan Company.

A Society of Nations. By W. T. S. Stallybrass. E. P. Dutton and Company.

League of Nations. By Alfred Owen Crozier. New York: Lecouver Press Co.

State Morality and the League of Nations. By James Walker and M. D. Petre. London: T. Fisher Unwin, Ltd.

The League of Nations. Edited by Henry E. Jackson. Prentice-Hall, Inc.

The Covenanter. An American Exposition of the Covenant of the League of Nations. By William H. Taft, George W. Wickersham, A. Lawrence Lowell, Henry W. Taft. Doubleday, Page and Company.

THE literature of the League of Nations becomes voluminous. Much of it is indeed of slight value, except as an indication of widespread interest in the matter; and the works listed above, taken as they come from the press, no doubt fairly represent the trend and quality of thought as it commonly ran during the war and for some months after the signing of the armistice. In every respect one finds here a sufficient variety. Miss Phelps's book, for example, is a useful collection of extracts designed to represent every shade of opinion. The volume on "The Idea of Public Right" is a collection of prize essays, of which one may say that, as prize essays, they are meritorious. Erzberger's work is not of exceptional value except that, in translation, it enables English readers to become familiar with liberal German opinion. Of the larger volumes, those of Crosby and Garvin are particularly worth reading for the light they throw on the economic conditions that make for war in the modern world; while Professor Kallen has done excellent service in exposing the way in which the interests of international financiers and munition-makers promote imperialism and war at the expense of national welfare and international peace. But for profound discussion of the international problem as a whole, for penetrating criticism of the idea of a League of Nations as a solution of the problem, there is, perhaps, nothing better than the three brief shilling pamphlets of Mr. Brailsford and Professors Barker and Pollard.

Much futile discussion arises from the unanalyzed assumption that the great majority of people desire peace. Since this is so, the argument runs, let the nations establish an international tribunal; and let all the nations solemnly pledge themselves, hand on book, that they will submit all disputes to this tribunal, and that they will abide by its verdicts. In the interest of peace, which all desire so fervently, surely the nations will in common sense be willing to do this much; and the practical problem therefore reduces itself to devising the appropriate machinery for assuring a fair hearing and a just award. When that is done all nations will gladly disarm and live in peace. War has often been "abolished" in this way.

The legal mind is perhaps prone to such solutions. Professor Oppenheim, for example, has done little more than to devise, with great caution and good judgment, the formal legal procedure by which international disputes might be settled if all the nations would consent to decide their disputes by following this procedure. "But before we part," he says at the very close of his lectures, "I should like, in conclusion, to touch upon a question which has frequently been put with regard to the proposal of a League of Nations: Can it really be expected that, in case of a great conflict of interests, all the members of the League will faithfully carry out their engagements?" To this most important query Professor Oppenheim has no more to say than that "if really constitutional and democratic government . . . makes international politics honest and reliable and excludes secret treaties, all the chances are that the members of the League will see that their true interests . . . are intimately connected with the necessity of fulfilling the obligations to which they have submitted."

This is the heart of the whole matter—to get the nations to "see that their true interests" are furthered rather than impeded by the League, to get them to see that their true interest is not to fight. The problem has been too much conceived from the point of view that while the true interests of nations may very well require them to fight, they can in some way be got, by promises or whatever, not to fight. The League has been too much conceived as the substitution of one evil for another. In the interest of peace, particularly when this desire is strong upon them, nations will, it is supposed, surrender something precious, something which, admittedly, no one would wish to surrender except to avoid a fatal disaster. The League is thus envisaged as something negative, a restraint on liberty, a suppression of the national *élan vital*, a surrender of the good that too great evil may not befall; and the sole guarantee for the continued exercise of this restraint, of this suppression, is the fact that in general men desire peace.

The truth would seem to be that neither peace nor war is an end which men seek for its own sake. They are rather means to desired ends. "An apparent good," as Aristotle says, "is the spring of all human action." When the "apparent good" of a nation can be obtained by peace, then men desire peace; when, supposedly, it can be attained or preserved only by war, then men desire war, or accept it, which comes to the same thing. Mr. Crosby says, rightly enough, that to create an international tribunal from whose jurisdiction questions involving "national honor" or "vital interests" are excepted would serve no purpose. A treaty which excepted these questions would amount to saying this: "We do solemnly pledge that we shall not fight each other about anything which we do not want to fight about." Naturally. On the other hand, we are confronted with the dilemma that it would be equally useless to include such questions so long as their inclusion is regarded as a "surrender." The very meaning of "national honor" or "vital interest," in so far as the honor is national or the interest vital, is such that questions involving the one or the other cannot be given over without reservation to the keeping of another. All government breaks down in proportion as it is thought that submission to government involves the surrender of the "honor" or the "vital interest" of those concerned.

It is scarcely a paradox to say that the question of war is not so much an international as a national problem; less

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a matter of devising international machinery for settling disputes over "vital interests" than it is a matter of finding out what interests are really vital for any nation. What is that "apparent good" which nations seek, even at the point of the sword? Is it really good? Is it a real or a false national welfare that turns out to be incompatible with the welfare of another nation?

The war of 1914 involved chiefly those European states whose policy was "imperialistic"—whose policy, that is to say, was based upon the assumption that "national welfare" required them to extend their economic and political power in Africa and Asia. The imperialist argument, on its economic side, runs somewhat as follows: Since each nation is more or less dependent upon its rivals (neighbors?) for food, raw materials, and markets for the disposal of its surplus products, it is a great advantage, which may at any moment become a decisive advantage, for any nation to reduce this dependence as much as possible by gaining exclusive control of supplies of food, raw material, and markets in those parts of the world that are industrially undeveloped and politically weak. Seeking such alleged advantages, the European Powers had during the last forty years before the war "taken on" nearly the whole of Africa and good parts of Asia; and it is safe to say that apart from the conflict of supposed national interests there, no general European war would have broken out in 1914.

It is nevertheless difficult to see just how any nation benefits by political control of Africa or Asia. If any nation benefits, England must, since England has been most successful in gaining such control. Between 1871 and 1914 there was added to the British Empire something over 4,000,000 square miles of territory, with a population in excess of 60,000,000. These new territories do not serve as places for colonization, since they are mostly tropical countries unsuited to the habitation of Englishmen. In respect to commerce, their value, economists tell us, is negligible relatively, does not increase appreciably, and has not during forty years equalled the cost of acquiring and administering them. So far as the great majority of Englishmen are concerned, the chief economic result of this enormous extension of Empire seems to be this: their taxes in support of the naval, military, and administrative services are greater than they would otherwise be. The average Englishman has not even the ideal satisfaction of knowing that "free British institutions" are being extended throughout the world, since all of the new possessions, except South Africa, are governed despotically. And what is true of British acquisitions in Africa and Asia since 1871 is equally true of German and French acquisitions.

On the other hand, Imperialism, although a dead loss to the mass of men, is very profitable to certain individuals and groups in every country. Many years ago Mr. J. A. Hobson gave us a calm but pitiless analysis of the economic basis of imperialism, in which he indicated these groups and showed how their interests were in general all tied together. Of all these groups, the most important and most sinister are the munition-makers and the international "investment bankers." The munitions corporations, about which Mr. Kallen furnishes much precise information, are a strictly international affair, working in every country impartially for "nationalism," constituting nothing less than a gigantic conspiracy for the promotion of war, and of imperialism as a policy that makes for war—as Shaw's "Major Barbara" insisted over a dozen years ago. Investment banking on a large scale is of course the result of the industrial revolution, and it is essentially the driving force of modern imperialism. With enormous sums of money at their disposal, they seek to invest this money in backward countries, where labor is cheap, and where high rates of interest are charged on account of the risks involved; but if the home government will only step in and guarantee these investments, then the risks are reduced to nothing at all, while the high rates of interest and the cheap labor remain precisely what they were. "In Egypt," says Mr. Kallen, "a labor day lasts 12 to 15 hours. The wages are six pence to a shilling a day for adults and sixpence for children. The difference between this and the cost of English labor represents a clear profit to the investor. Again, in the matter of interest and commissions, the Khedive of Egypt borrowed 82 million pounds at 7 per cent. with 1 per cent. for amortization. The banks gave him, however, only 20,700,000 pounds, keeping the larger part of the balance as security and returning him the rest in his own notes for 9 million pounds which they had bought at 65. He paid interest, of course, on the whole 82 millions while the banks paid their own clients interest only on what they had invested at a much lower rate." In order not to be partial Mr. Kallen gives similar examples of the operations of French bankers in Morocco and of German bankers in Turkey.

These are, perhaps, extreme cases, admittedly reprehensible, and it may be said that all this "surplus capital" must seek investment in backward countries since there is no adequate opportunity for its investment at home. What the economists call the "effective demand" for consumable goods is limited and fully met. The effective demand, yes; but not the real demand. The effective demand of men earning from nothing to $800 a year is indeed limited, and the number of such men is large in all the industrial countries. But in every industrial country there is a real demand for the necessities and reasonable luxuries of life which, once made "effective," would probably diminish the surplus capital seeking investment abroad and increase the opportunities for profitable investment at home. If the wealth of the "civilized" countries were distributed with reasonable approximation to equity and real national welfare, imperialistic expansion in "backward" countries would lose most of its alleged necessity. It is therefore at least an open question whether more cannot be done to abolish war by a resolute attempt to solve the social question than by the formation of a league of the nations whose social iniquities constitute, as Mr. Hobson says, the "tap root" of their imperialism.

Imperialism, from the point of view either of a national or an international solution, would be a much simpler problem than it is if it were not that its economic bearings are obscured by the nationalist psychology that underlies the actual political organization. Politicians and people alike, thinking in terms of national rivalry and prestige, easily convince themselves that an extension of the political control of the State means an increase of national power, and that an increase of national power means an increase of national welfare. Most Englishmen are satisfied to know that it is England rather than Germany that will control Egypt; most Americans would support the intervention of the United States in Mexico if that is necessary to prevent England from intervening. It is easy to meet all pointed criticism of imperial policy by falling back on the undiscriminated emotional expansion symbolized by the words "nation," "national honor," "loyalty to country," and so on. On its political side, this emotional expansion finds satisfaction in the word "sovereignty"; and, in proportion as international rivalry becomes acute, truth and honesty are measured by "loyalty"—loyalty to the Government and submission to the State.

The problem of war, therefore, involves much more than the economic bearings of capitalistic imperialism; it involves the far more difficult question of the State itself. It is admitted on all sides that an effective League of Nations implies a "limitation of sovereignty." But how can you limit that of which the essential nature is to be unlimited? The "sovereign State" is a legal fiction by which people conceal from themselves the fact that they are prepared to rely upon force for getting what they want and for testing the rightfulness of what they get. In law sovereign States are free and equal; in fact, the "sovereignty" of any State is measured by its power. Persia was a sovereign State. Not being strong enough to resist England and Russia, it lost its sovereignty. The same has happened to Germany. Sovereignty, in the sense of a nation's being free to do as it likes, is an illusion. The very people who contemplate with horror the prospect of our being bound to fight for the preservation of European peace under a League, loudly proclaim that we were compelled to fight for the defense of France and Belgium. We desired to keep out of war, they say, but circumstances (Germany) forced us in. Thus it seems that a sovereign nation

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retains its sovereignty when other nations compel it to fight against its will, but loses that sovereignty when it is compelled to fight on account of obligations voluntarily entered into. This is indeed the fact; for the doctrine of sovereignty is the negation of obligation. It is only another name for unrestrained force; and the "sovereign State" implies precisely that conception of the State which we find so abhorrent and immoral—in the writings of Treitschke.

If the "sovereign State" is the very embodiment of force and the negation of obligation, can we then usher in the new international order of justice by establishing a league of sovereign States? It would seem that a league of sovereign States must turn out to be, what the present League essentially is, an alliance of the strongest States, since only the strongest States are really sovereign. This is to establish a "community of power" with a vengeance! Such a combination of power could indeed prevent war, so long as it remained a combination, and so long as it desired not to fight; but it is not clear how the evils of unrestrained force are to be abolished by adding one unrestrained force to another. It is true most writers distinguish carefully between a league of States and a League of Nations; it is the latter, they say, not the former, that we want. True enough. But so long as we conceive of the nation as an undifferentiated group with a single will, so long as we identify this will with an abstraction called the State which at home recognizes no virtue but submission and abroad knows no right but that of the stronger, so long will our League of Nations be only another name for a League of States.

"The real enemy to civilization," Professor Pollard well says, "as it is the real parent of militarism, is the autocracy of the State. . . . If the State can do what it likes, *frame its own code of international conduct, and dictate its own conception of truth and morals,* it is immaterial to those who suffer whether that dictation comes from a despot or a democracy." It is questionable whether a democracy that "dictates a conception of truth and morals" is the kind of democracy that the world needs to be made safe for; and perhaps before dealing with the autocratic State abroad, where it is the chief guarantee of anarchy, we ought to deal with it at home, where it is the chief menace to liberty, whether, acting as a State, it resorts to tyrannical and oppressive measures or whether it permits among its people a tendency to mob rule and violence which are only the same tyranny under different aspects. At no point have we Americans graver cause for reflection than here. Long a nation with a democratic tradition, we have lived upon the tradition until we have thought ourselves into a confidence that we are the most democratic of nations, although the movement of the world elsewhere has made us in most respects highly conservative. For us, then, as indeed for other democratic nations, the need of correction at home is particularly emphatic and particularly obvious.

In the light of the Covenant of peace formulated at Versailles, the reading of many books on the League of Nations gives one a high sense of having to do with a purely academic question; and one instinctively seeks on the shelves, alongside the works of Dante, and Marsilius, and the Abbé St. Pierre, a proper place for these present-day speculative treatises. It is probably true, as Mr. Wilson says, that the present Covenant was the best possible "under the circumstances," always remembering that the selfish aim and limited vision of those who made the Covenant were an essential part of the "circumstances." Perhaps the fundamental error was to have supposed it possible to establish a "new international order" on the basis of the old national order. What we need first of all is a new national order; and a new national order implies, on the economic side, a radically different conception of what constitutes the "vital interests" of a nation, and, on the political side, a radically different conception of the State as a means of safeguarding those interests. It implies above all, perhaps, that we should hold fast to that simple but profound truth long ago voiced by Pascal: *"It is necessary to follow that which is stronger; it is right to follow that which is just."*

Somerset Maugham and the New Fiction

The Moon and Sixpence. By W. Somerset Maugham. George H. Doran & Company.

IN the hands of the novelists that really count, the art of fiction is undergoing a remarkable transformation. The romantic novelist gave and still gives us the substance of his day-dreams and his hopes; the naturalist records the contents of his intense vision and, as the Goncourts were never weary of asserting, of the painful reaction of that vision upon his nerves. The French naturalists, especially, achieved a detachment of the heart, rarely of the mind and of the nerves. They were constantly at the mercy of that visible reality which it was their purpose to set down. Like Flaubert, they longed for beauty and tormented themselves with the hideous. Hence they wrote exquisitely of ugliness and embalmed pitiful things in the relentless clarity of their prose.

The new novelist is not so sure that anything is ugly; he is quite sure that very little in the world is absolutely base. His nerves are very much more robust, though not less sensitive. He is aware of quite as much as the naturalists, but his awareness is less painful. He does not thirst for romance and write of common things on a theory. His supreme impulse finds its complete expression in the inquiry concerning the nature of reality on which he has set out. The word inquiry stamps his attitude and temper. He does not try, like the naturalists, to exhaust a subject, for he knows that every subject is inexhaustible. He is more careless of structural perfection, because he knows that his segment of reality is isolated only by a convention which it is not well to emphasize. He is not satisfied to record what men do. He inquires into the reasons for their actions. And his great discovery is the inadequacy of the old motivation that did not distinguish between what people do through imitativeness or under moral pressure and that which, in the depths of their hearts, they really desire. He is forever exploring what Marcel Prévost once happily called "the secret garden" that lies behind the brave façade of most human lives.

It is no overstatement to assert that among the practitioners of the new fiction William Somerset Maugham is preëminent for controlled power, steady vision, and noble lucidity of mind. He knows, in his own words, "how wide a country, arid and precipitous, must be crossed before the traveller through life comes to an acceptance of reality." He himself has crossed that country, and his acceptance of reality is quite free of the morbid revulsion embedded in the works of the French naturalists and their disciples; it is stern and humble and serene at once. His chief novel, "Of Human Bondage," published in 1915, has been most inadequately recognized. That is quite natural, as Mr. Maugham would doubtless be the first to see. All his colleagues, various and admirable as their gifts are, still have some trace of the idealist with which to warm the shivering souls of those who have never set foot upon that "arid and precipitous" land of reality. In "Of Human Bondage" there are no concessions to these; there is no vain striving or crying; there is no heightening of life beyond itself; there is no flourish of moral half-truths or easy cures for the troubles of mortality. It is the work of one of the freest minds of our generation. The style of the book is naked and precise, though not without moments of sober warmth and color; the many characters (for there is as little artificial isolation as possible) at once become enduringly native to the mind that has beheld them. The story is that of a young Englishman who fights his way through one illusion after another toward an immediate contact with reality. The book has had comparatively few readers; one may be sure that they have been fit and weighty and that their number will increase.

"The Moon and Sixpence," Mr. Maugham's first novel since the publication of "Of Human Bondage," is a briefer book. It is also, upon the whole, a less important one. But it is so merely in comparison with the extraordinary depth and fullness of the earlier novel. Mr. Maugham's purely intellectual virtues,

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and they are perhaps his highest, appear more nakedly and at least as trenchantly in his new book. Its theme is one that would have been fantastic in the hands of almost any other living novelist. We are introduced, through the narrative of the young man of letters who tells the story as he has gathered it, to a comfortable stockbroker and his conventionally happy family. Suddenly, at least from any external view of the situation, the stockbroker, Charles Strickland, abandons his home and his family and goes to Paris to paint. We are permitted to infer that in this silent, uncouth man there had gathered through the years the cumulative force of all his inhibited yearnings, of all the dumbly borne social pressure, until the explosion came like an upheaval in nature, and he threw off all other yokes to submit at last to "the divine tyranny of art." Thus, at least, Mr. Maugham has succeeded in presenting Strickland to the imagination. There are gaps in the characterization, but they are left in frank renouncement of the novelist's traditional omniscience. We are given the facts as they came to an observer of ordinary acuteness, and before the end of the book, Strickland the incredible becomes overwhelmingly real. In Paris "he lived more poorly than an artisan. He worked harder. He cared nothing for those things which with most people make life gracious and beautiful. He cared nothing about fame . . . He asked nothing from his fellows except that they should leave him alone. He was single-hearted in his aim, and to pursue it he was willing to sacrifice not only himself —many can do that—but others. He had a vision." He meets people in Paris who live as few novelists but Mr. Maugham can make people live; there is a harsh and tragic episode with a woman; he drifts to Marseilles and at last to Tahiti, and lives and dies for his vision amid the splendor and the terror of that island world. But our attention is always fixed on him alone—gaunt, horrible, brutal, irresistible, a figure to haunt one for a long time.

The reason for that fascination is no shallow one. It springs from the inner significance of the story, from the intellectual power with which an eternal passion is embodied in a concrete character. For Mr. Maugham, in his cold and at times ironic manner, has built up an apologue concerning the freedom of man. The writer who tells the story says to Charles Strickland: "I see you as the eternal pilgrim to some shrine that perhaps does not exist." Strickland was that, and so, in the secret garden of his soul, is every man. To man, if not to woman, the important thing, however dim or confused his consciousness of it, is an eternal pilgrimage to some shrine, a submission to the divine tyranny of some impersonal aim. The anecdote is told in the book of a brilliant young physician who had a career of high worldly success in England within his grasp and who, on seeing Alexandria, found the end of his pilgrimage there and lived contentedly in poverty and obscurity. He had made a hash of his life, some one said. And the question is asked: "Is to do what you most want, to live under the conditions that please you, in peace with yourself, to make a hash of your life?" That is the insistent question of the book. To want the moon is better than to let yourself be put off with sixpence. To go on a pilgrimage is better than to do meaningless things that your soul abhors simply because your fathers have done and your neighbors do them. It may be said that this is a dangerous doctrine. But Mr. Maugham is not concerned with doctrines. Many things are true, and these truths must somehow live together in the same world. What he has sought to express is a deep and primitive mood of man—a mood too often overlaid by the petty business of garish days, and yet the mood from which arise most of the thoughts and works that give life dignity and beauty. It is well to have one artist among us who points to the lights of the strange moons over the secret gardens of our souls; there are enough, more than enough, to tell us where interest and profit lie, and by how many methods how many sixpences may be got; they will even tell us that a wretched sixpence is all we need and all we ought to desire. Surely with the whole world in hurly-burly, it is human ideals which should be stressed.

Books in Brief

WE have been told that the railways will be restored to their private owners at the end of the present year, and any authoritative discussion of what function a railway performs and what the fundamental considerations are that determine the measure of its efficiency in performance is clearly a scientific approach to the problem. Col. H. S. Haines, the well-known railroad executive, has written a work on "Efficient Railway Operation" (Macmillan), which is thorough and admirably complete in its technical apparatus. It probably constitutes, at the present moment, the best one-volume work on the prime criterion by which all schemes offered for the solution of our railway problem should be judged. In addition to many chapters on aspects of efficient railway operation which will interest engineers and special students, there are in the course of the book's 709 pages two which will interest other classes of readers. Chapter VIII on "War-Time" contains a historical summary of great value, touching the application of railway transportation to the conduct of military operations. After a review of the means of transportation available in previous great wars, when military movements, judged by modern standards, were incredibly slow, Col. Haines traces the gradual realization of the value of rapid transportation. The employment of railways on a great scale first began with the American Civil War, in which the Southern cause was gradually weakened as it lost control of its railway lines of internal communication, upon which it was absolutely dependent. The early embarrassments caused by a lack of centralized control of railways in warfare constitute interesting episodes at this distance. Chapter IX on "Operation" stresses a factor of which many advocates of nationalization are not perhaps sufficiently aware in its discussion of the "qualifications and needs of railway operating officers," "conservatism in adopting improvements," and other topics which are made up of psychological rather than material elements. One of the most needed warnings throughout the whole book is to be found in the section on "Use of Averages," which is, in effect, a protest against the fallacies involved in ordinary arithmetical averages, and the false conclusions which usually follow upon their use. Other averages, while more scientific, are difficult to obtain; and with regard to the masses of figures which have been thrown before an uncomprehending public during the recent discussions of the railway problem, Col. Haines utters a sound judgment: "In the application of statistics to the specific case of railway operation, it should be recognized that statistical statements for purposes of comparison, either of performance on two railroads or on any one railroad at different periods, are not only valueless, but misleading, unless based upon uniform data. For this reason, certain statistical methods in vogue are unfit for practical purposes, and are misleading when utilized to maintain a political thesis."

AMONG the most convincing of the works recently published to prove that while capital is necessary the private ownership of this element of production is undesirable, must be included "Americanized Socialism" (Boni and Liveright), by James MacKaye. The subtitle, "A Yankee View of Capitalism," suggests that the author is arguing from American conditions and with an American point of view. "The practice of democracy in this country," he says, "has revealed both the strength and the weakness of the principle [i. e., of capital]. It has proved to be, not an assurance, but a condition of national well being, a necessary, but not a sufficient, guarantee of the success of nations. The test of the value of a means is the achievement of its ends, and democracy can only meet this test by adopting the practice of efficiency, for both democracy and efficiency are essential to the happiness of peoples." He disclaims any desire to base his argument on Karl Marx, selecting rather the moral foundation, "which deserves greater attention

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than it has heretofore received because the justification of any proposed programme must, in the final analysis, be a moral one." His argument is directed not against capital but the capitalist, whom he defines as the person who derives an income from the control of one of the elements of production, not from its use in production. He draws an interesting contrast between the capitalist on the one hand and kings and robbers on the other; and he shows that the capitalist resembles the former rather than the latter. Both have rendered real service in human evolution, he holds, but as kings, now no longer useful, are generally looked upon as anachronisms, so the capitalist as soon as his work is done must be relegated to the museum of social organs no longer serviceable. The book is pleasantly written in a spirit of the highest seriousness and most generous reasonableness.

TWO other books in the same field serve to explain why socialism is so greatly misunderstood among both its advocates and its opponents; why its tenets are constantly misrepresented by both; and why there is so much more heat than light in most arguments about it. "Socialism versus the State" (Kerr), by Emile Vandervelde, a Belgian Minister of State, is an argument for syndicalism, "the organization of social labor by the workers, grouped in associations." It may be that the translation of this book is faulty; the English edition, at least, does not seem attractive or convincing. One is offended by the approval of such sentiments as are contained in the author's quotation from Bergeret: "I understand, I am always inclined to understand, and I have wasted precious energies at it. I discover at last that there is great force in not understanding. Sometimes that enables one to conquer the world. If Napoleon had been as intelligent as Spinoza, he would have written four volumes in a garret." The author does not seem to grasp the fact that one can serve democracy only if one understands. The other book, "Socialism and American Ideals" (Princeton University Press), is by W. S. Myers, Professor of Politics in Princeton, who seems as averse to the practice of understanding as Bergeret. His indefinite generalizations, his unsupported and dogmatic opinions, and his loose denunciations, cannot but disgust anyone who picks up the book in the expectation of learning something about the relation which the title suggests. A writer of Mr. MacKaye's type need ask for no easier antagonist than Professor Myers, nor, perhaps, need socialists generally fear that such misrepresentation will hurt them in the eyes of any reasonable person

THE Hon. W. L. Mackenzie King has written a book of more than five hundred pages which he calls "Industry and Humanity" (Houghton Mifflin). It is written throughout in the style Kingsley so joyously parodied in "The Water-Babies," —"one half bad Latin, the other half worse Greek, and the rest what might have been English if they had only learnt to write it." The timorous reviewer dreads being squashed by the words and strangled by the sentences of the Hon. W. L. Mackenzie King. If they contained ideas, the professional book-taster might plow his way through the half-thousand dreary pages; but surely there are no ideas in such passages as this: "Moreover human nature is frail. Many begin with lofty motives, and descend to lower ones. They come to mistake the means for the end. Especially is this true of the pursuit of wealth" (p. 61). Elsewhere he takes a page to explain the term "the sphinx," and to relate the brand-new story of the sphinx's riddle. On the other hand, he vouchsafes generous passages of autobiography. Humanity at large may learn how much Mr. King was impressed by Hull House, how he wrote articles to a Toronto paper, how he called on Mr. Mulock, how "the Postmaster-General walked the floor like a caged lion," presumably under the stimulating influence of the Hon. W. L. Mackenzie King. His various missions, his "summer home," Kingsmere, his sun-dial, and his reflections thereon pad other chapters. The Rockefeller Foundation has paid for these lucubrations. Plainly it is a very rich foundation.

BOOKS OF THE WEEK

ESSAYS AND CRITICISM

Henderson, Archibald. The Changing Drama. Cincinnati: Stewart & Kidd. $1.75.

HISTORY AND BIOGRAPHY

Caldwell, Wallace E. Hellenic Conceptions of Peace. Studies in History, Economics, and Public Law. Columbia University. $1.25.

Clarke, Sir Edward. The Story of My Life. Dutton.

POETRY AND DRAMA

Andrews, John, Stephen V. Benét, John C. Farrar, and Pierson Underwood. The Yale Book of Student Verse. Yale University Press. $1.50.

Bennett, Arnold. Judith. Doran. $1.

Clarke, George Herbert. A Treasury of War Poetry. Second Series. Houghton Mifflin. $1.50.

Drinkwater, John. Abraham Lincoln, A Play. Houghton Mifflin. $1.25.

Marlowe, Christopher. Tamburlaine the Great. Acting Version. Yale University Press.

Porter, A. Kingsley. The Seven Who Slept. Marshall Jones. $1.50.

FICTION

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